



REAL ESTATE APPRAISER COMMISSION
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-1166
615-741-1831

December 14th, 2015
Minutes
First Floor Conference Room (1-B)
Davy Crockett Tower

The Tennessee Real Estate Appraiser Commission met on December 14th, 2015, in Nashville, Tennessee, at the Davy Crockett Tower in the first floor conference room. Chairman Walton called the meeting to order at 9:45 a.m. and the following business was transacted.

COMMISSION MEMBERS PRESENT

Timothy Walton
Nancy Point
Eric Collinsworth
Rosemary Johnson
Warren F. Mackara

COMMISSION MEMBERS ABSENT

Norman Hall
Randall Thomas
Mark Johnstone

STAFF MEMBERS PRESENT

Nikole Avers, Keeling Gamber, Jennaca Smith

Chairman Walton called the meeting to order and took a moment to honor the memory of Commissioner Gary Standifer, who had recently passed away.

The public meeting statement was read into the record which indicated the agenda was posted to the Tennessee Real Estate Appraiser Commission website on December 9th, 2015.

ADOPT AGENDA

Ms. Point made a motion to adopt the agenda. It was seconded by Ms. Johnson. The motion carried unanimously.

MINUTES

The minutes from the September 2015 meeting were reviewed. Dr. Mackara made the motion to accept the minutes as written. It was seconded by Ms. Johnson. The motion carried unanimously.

REPORT OF EXPERIENCE INTERVIEWS

Mary Catherine Scott made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Ms. Point was the reviewer and recommended approval of her experience. Mr. Collinsworth made a motion to accept the recommendation. This was seconded by Dr. Mackara. The motion carried unanimously.

Derek Tillmon Fox made an application to upgrade from a registered trainee to a certified general real estate appraiser. Ms. Point was the reviewer and recommended approval of his experience. Ms.

Johnson made a motion to accept the recommendation. This was seconded by Mr. Collinsworth. The motion carried unanimously.

Gregory John Stormberg made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Walton was the reviewer and recommended approval of his experience. Ms. Point made a motion to accept the recommendation. This was seconded by Ms. Johnson. The motion carried unanimously.

Brent Christian Buthje made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Walton was the reviewer and recommended that his experience request be granted. Dr. Mackara made a motion to accept the recommendation. This was seconded by Ms. Point. The motion carried unanimously.

Alan Michael Sinqfield made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Collinsworth was the reviewer and recommended that he turn in two additional reports to be completed after this interview, upon approval of which, his experience request would be granted. Ms. Johnson made a motion to accept the recommendation. This was seconded by Ms. Point. The motion carried unanimously.

Andrew Taylor Blum made an application to upgrade from a registered trainee to a certified residential real estate appraiser. Mr. Collinsworth was the reviewer and recommended that his experience request be granted. Dr. Mackara made a motion to accept the recommendation. This was seconded by Ms. Point. The motion carried unanimously.

EDUCATION COMMITTEE REPORT

Dr. Mackara read his recommendations into the record as below:

Course Provider	Course Number	Course Name	Instructor(s)	Hours	Type	Recommendation
Bryan Reynolds		Navigating FHA	B. Reynolds, K. Hardin, T. Humphreys	7	CE	Approve
NAIFA		2016-2017 USPAP Update	M. Orman	7	CE	Approve
McKissock		ON-LINE 2016-2017 USPAP Update	D. Bradley	7	CE	Approve
McKissock		2016-2017 USPAP Update	A. Brown, D. Bradley W. Czekalski, C. Huntoon, T. Martin, J. Smithmyer, S. Maher, S. Vehmeier, L. McMillen,			Approve
Georgia Appraisal School		2016-2017 USPAP Update	J. Smithmyer	7	CE	Approve
ASFMR		2016-2017 USPAP Update	J. Berg	7	CE	Approve
Appraisal Institute		2016-2017 USPAP Update	T. Kirby	7	CE	Approve*
Appraisal Institute		2016-2017 USPAP Update	T. Kirby	15	CE	Approve
*Appraisal Institute		Advanced Concepts & Case Studies	J. Emerson	37 40	CE QE	Approve Approve
IRWA		Principles of Land Acquisition	A. Armstrong	32	CE	Approve
Melissa Bond		Definitive Report Writing	M. Bond	7	CE	Approve
Melissa Bond		2016-2017 USPAP Update	M. Bond	7	CE	Approve

Storyboard EMP		001 – ANSI	B. Reynolds, H. Humphreys, H. Thomas	7	CE	Approve
Bryan Reynolds		2016-2017 USPAP Update	B. Reynolds	7	CE	Approve
McKissock		Adjustments: Supported or Not Supported	T. Martin, D. Bradley	5	CE	Approve
McKissock		Appraising Small Apartment Properties	T. Martin	6	CE	Approve
IRWA		Principles of land Acquisition, IRWA C-100	A. Armstrong	32	CE	Approve
ASFMRA		15 Hour national USPAP Course (A113)	J. Berg, S. Seely, L. Moss, C. Greenwalt	14 15	CE QE	Approve Approve
ASFMRA		Appraising Rural Residential Properties	C. Greenwalt	8	CE	Approve
The Columbia Institute		2016-17 7-Hour National USPAP Update, No. 101	A. Brown, R. Wilson	7	CE	Approve

***Note: The Course Application indicates this course is intended for QE as well as CE. I am recommending approval for both QE and CE**

Individual Course Approvals

Licensee	Course Provider	Course Name	Hours	Type	Recommendation
Joel L. Fulmer (CG 385)	NAR and MAAR	The Urban Movement	2	CE	Approve
J. Blake Kernea (TR 4710)	America's Real Estate Academy	GREAB Supervisor/Trainee Course	7	CE	Approve
J. Blake Kernea (TR 4710)	America's Real Estate Academy	7Hr USPAP update	7	CE	Approve
J. Blake Kernea (TR 4710)	America's Real Estate Academy	Residential Market Analysis and HABU	15	CE	Approve
Charles Aldridge (CR 1382)	IAAO	Assessment Administration	21	CE	Approve

Vote: Mr. Collinsworth made a motion to accept the recommendations. This was seconded by Ms. Point. The motion carried unanimously.

DIRECTOR'S REPORT

Director Avers presented a summary of the current appraiser commission budget, licensing numbers and complaint status.

LEGISLATIVE UPDATE

There were no legislative updates to report.

LEGAL REPORT

1. 2015013321

This complaint was referred to our offices by the Department of Financial Institutions as part of a consumer complaint alleging mortgage fraud and appraisal fraud in the loan modification process and ultimate foreclosure of a property. The complaint alleged that the property was initially over-valued through collusion with the mortgage broker and appraiser by \$300,000. The owner now alleges that he could not get a HAMP adjustment by unbiased appraisal that fairly considered the condition of his property, which has significant deferred maintenance and a pest infestation.

Respondent sent a response to the complaint stating that the appraisal in question dates back to 2004. Respondent stated that his office maintains all appraisal records for the mandatory custodial requirement of five years in accordance with the Record Keeping Rule of USPAP, T.C.A. 62-39-332,

and Tenn. Comp. R. & Reg. 1255-5-.01(2). Any records, copies, workfiles, either in electronic or hard copy, are not maintained past that point. Respondent claims he no longer has the same computer from the period of time; therefore, it is impossible for him to confirm if an appraisal was done on this property, and, if so, what the conclusions of the appraisal were. Respondent did confirm that his office had not completed any appraisals on this property within the last five years. In response to the allegations of a targeted appraised value, as well as falsifying documents, Respondent stated that it is quite a serious accusation and an attack on his character. Respondent claims that he did not commit fraud, and that he performs valuation assignments in an independent, unbiased, and ethical manner.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Market Analysis:** The following one-unit housing trends are stated on the front page of the appraisal report: property values stable, supply/demand in balance, and marketing time is under 3 months. Each of these statements is a conclusion that requires analysis and support and requires that a summary of the support be included in the appraisal report. No support and no summary are provided in the report. [SR 1-1(a)(b); SR 2-2(b)(ix)]
- **Site value:** An opinion of site value is provided in the cost approach with no support provided for the value opinion. Since an opinion of site value is, by definition, an appraisal, all applicable standards rules in Standard 1 and 2 are required of the appraiser. [SR 2-1(b); SR 2-2(b)(ix)]
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for view (\$35,000), condition (\$15,000), and gross living area (\$50 per sf). No rationale or support is summarized in the report for the condition adjustment and no support is given for the view adjustment. [SR 2-2(b)(ix)]
- **Reconciliation:** An insufficient reconciliation is found in the sales comparison approach to value. Three sales are included in the sales comparison approach with adjusted values ranging from \$766,000 - \$819,000; this is a difference of \$53,000. The only statement of reconciliation made in the analysis is, "Near equal weight was {given} to each comparable." This statement is insufficient to explain how the appraiser arrived at the final opinion of \$792,000 from the range of adjusted values indicated by the comparable sales. Reconciliation, as defined in The Dictionary of Real Estate Appraisal, 5th Edition, is "the process of reducing a range of value indications into an appropriate conclusion for that analysis." [SR 1-1(a)(b); SR 1-6(a); SR 2-2(b)(viii)(Line 919)]
- **State the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal and when reporting an opinion of market value, summarize the support and rationale for the appraiser's opinion of the highest and best use of the real estate—**The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. In addition, an opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. Further, the content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review. [SR 1-3(b); SR 2-2(b)(x)]
- No comparable sales were taken from the subject's subdivision though there were sales available.
- All comparable sales were taken from a gated/guarded community. See the attached CMA reports that indicate that there were comparable sales in the subject subdivision that sold in a range from \$445,000 - \$605,000 with an average price of \$531,200 and median price of \$526,100. Similarly sized properties in the gated community sold in a range from \$695,000 - \$935,000 with an average of \$796,425 and median price of \$789,950. From this data, the gated community properties appear to sell over 30% higher than similarly sized properties

in the subject subdivision. No location adjustment is analyzed or applied to the sales used in the original appraisal report.

- At the top of page 2 in the appraisal report, the appraiser indicates that there are 5 comparable sales in the subject neighborhood that sold within the past 12 months in a sale price range from \$484,000 - \$605,000. The appraiser was therefore aware of these sales but did not use any of them in the appraisal report. He chose to use sales in a different subdivision that sold 13% - 23% higher than the highest sale from the subject's subdivision.
- All three comparable sales were adjusted upward an additional \$35,000 for view. There is no market data provided in the appraisal report to support this adjustment.
- Sales 2 and 3 are adjusted upward an additional \$15,000 for inferior condition. There is no explanation or support provided for this adjustment.
- The indicated value of the subject by the sales comparison approach is higher than 2 of the 3 adjusted sale prices and higher than all of the actual sale prices. There is no explanation in the reconciliation for this conclusion.
- The indicated value of the subject site in the cost approach is \$250,000. There is no support provided in the report for this conclusion. The reviewer made a brief, but not exhaustive, search for lot sales in the subject.
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the copy of the appraisal report provided by the client and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review is deficient in its compliance with the Uniform Standards of Professional Appraisal Practice to the extent that the credibility of the assignment results is called into question. Additional research and analysis, beyond the limited scope of this assignment, are needed in order to develop a credible opinion of value for the subject property as of the effective date of the appraisal.

Licensing History: Certified Residential 12/31/1991-Present

Disciplinary History: None.

Reasoning and Recommendation: The reviewer found that the quality of Respondent's work is deficient in its compliance with USPAP to the extent that the credibility of the assignment results is called into question. Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Ms. Point made a motion to dismiss the case. This was seconded by Dr. Mackara. The vote carried unanimously.

2. 2015016991

This complaint was filed by a consumer and alleged that the Respondent under-valued a residential property by using incorrect comparable data. The complaint alleged that the Respondent appraiser

lives in Complainant's neighborhood and is friends with people that Complainant knows on unfriendly terms. The complaint alleges that the comparables used by Respondent are not close to the square footage of the subject home. Complainant stated she has a three car garage, and Respondent used two car garage homes. Complainant stated she has three full baths, and Respondent used homes with two and a half baths, etc. Complainant stated she has \$75,000 in backyard upgrades, and Respondent gave \$5,000 credit for that. Complainant claims that Respondent caused her to lose the sale of her home.

Respondent's attorney sent a response to the complaint stating that, technically, Respondent's client was the lender for the buyers and not the buyers, themselves. Respondent was hired by an AMC. Respondent does not believe it is a conflict for her to perform an appraisal on a home in a "neighborhood" in which she lives. She believes she met the Competency Rule of USPAP requiring the appraiser to have the knowledge and experience to complete the assignment properly. Respondent stated that the Complainants knew that Respondent lived in the same subdivision at the time that Respondent walked through their home. Respondent denies having any conversations with Complainant about whether she was on unfriendly terms with any individual in the subdivision. Respondent believes she was in an advantageous position to perform the appraisal precisely because she lived in the subdivision and was familiar with homes in the neighborhood. Respondent used six comps in her appraisal. Four of the comps were sales and the last two were active listings. All of the comps were within one mile of the Complainant's home. There were no available comps that had the exact square footage of the Complainant's home. Where there were differences in square footage, Respondent made an adjustment to the sales price of the comp accordingly either upwards or downwards. Three of the six comps did have two car garages. Respondent made upward adjustments to the sales price of each of those two car garage homes in writing in her appraisal. Respondent also took into account the number of baths when making adjustments in her appraisal of the sales price for that comp. Respondent believes her actions lived up to the standards for real estate appraiser in the State of Tennessee. Whether the buyers for the Complainant's home decided not to purchase the home because of Respondent's appraisal is unknown to Respondent. Respondent performed her responsibilities in an honest and straightforward manner.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Site Value**—An opinion of site value is provided in the cost approach. The following statement is provided in support of the site value opinion: "Site value reflects recent price paid or value assigned to sites of similar size, location and appeal." The subject site has not sold recently and no lot sales are included in the report to support the site value. It appears that there were no land sales in the workfile prior to the date the Respondent signed the Certified Mail receipt (07/18/2015). Lot sales were added to the workfile on 07/18/2015. There is no reconciliation of land sales to support the final value conclusion. Since an opinion of site value is, by definition, an appraisal, all applicable standards rules in Standard 1 and 2 are required of the appraiser. [SR 2-1(b); SR 2-2(a)(vii); Record Keeping Rule (Line 321)]
- Also, it appears that the Respondent willfully and knowingly added information to the workfile after the appraisal was completed and after notification of this complaint. [Record Keeping Rule (Lines 341-342); Ethics Rule(Line 248)]
- **Unsupported Adjustments in the Sales Comparison Approach**—A pool adjustment of \$5,000 is made to several sales in the sales comparison approach. The explanation supporting this adjustment is: "fewer than 5% of homes in the subject marketing area had in-ground pools, indicating a low demand for this amenity." However, the appraiser includes this explanation in her response to this complaint, as stated by her attorney: "the best way for Ms. Wills to determine the market demand for an amenity is to multiply the cost of the improvement by the percentage (5%) in the neighborhood." This is not a recognized technique for supporting adjustments. The proper technique involves an estimate of the

depreciated cost of the pool; limited demand in the market area would be treated as functional obsolescence in the form of a super-adequacy.

- In addition, a \$25,000 quality adjustment is made to Sale 4, but no support for the amount of the adjustment is given either in the report or in the workfile. Also, no sales concession adjustments are made though seller concessions are noted. The explanation given is, "concessions equal to or less than 3% have not been adjusted". No support for this decision is given. [SR 1-1(a); SR 2-2(a)(viii); Record Keeping Rule(Line 321)]
- **Highest and best use**—The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. In addition, an opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review. [SR 1-3(b); SR 2-2(b)(ix)]
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the original appraisal report, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review is deficient in its compliance with the Uniform Standards of Professional Appraisal Practice and, therefore, the credibility of the assignment results is impaired due to the type and extent of non-compliance as specified in this report and summarized above.

Respondent's Response to Reviewer's Conclusions

- With regard to site sales being added to the workfile, Respondent acknowledges that the site sales were printed on July 18, 2015. They represented a search she conducted prior to the completion of the report, but did not print at that time. The undersigned, on Respondent's behalf, believed that Respondent's initial response to the Complaint clarified that they were printed at that later date. In addition, Respondent has just completed an Appraisal Institute class, "Residential Site Valuation and Cost Approach" (08/21/2015) to improve her understanding and competency in site valuation and the cost approach. A copy of her certificate of attendance is attached.
- With regard to the pool adjustment, Respondent stated this method of making adjustments was discussed in an Appraisal Institute webinar Respondent took in October 2014 "Regression Modeling: Why Bad Results Happen to Good Appraisers (And What to Do About Them)."
- With regard to highest and best use, Respondent completed an Appraisal Institute class, "Residential Market Analysis and Highest & Best Use" on 08/19/2015 in an effort to improve her understanding and competency in market analysis and highest and best use. A copy of her certificate of attendance is attached.

- Respondent has registered for an Appraisal Institute class (09/22-25/2015), "Residential Sales comparison and Income Approach", to further improve her understanding and competency in these approaches. A copy of her registration for this class is attached.

Licensing History: Certified Residential 5/31/2013-Present

Disciplinary History: None.

Reasoning and Recommendation: The reviewer found multiple USPAP deficiencies within Respondent's appraisal report that diminish the reliability of the report, including a violation of the Ethics Rule. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Mr. Collinsworth made a motion to authorize a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order, plus proof of completion certificate for the Residential Sales Comparison and Income Approach Course within one hundred eighty (180) days of execution of the Consent Order. This was seconded by Dr. Mackara. The vote carried unanimously.

3. 2015017561

This complaint was filed by a consumer and alleged that Respondent was hired to conduct a residential appraisal for a total of \$400. Complainant claims that Respondent promised a quick turn around of two weeks. Complainant alleged that Respondent did not return the report after two weeks, and Complainant requested a refund. The complaint alleges that Respondent agreed to pay \$125 and provide all documents related to the partially completed work. Respondent paid \$125, but did not provide the documents.

Respondent sent a response to the complaint stating that his office responded to Complainant and his repeated emails for updates and information numerous times. Respondent stated that on June 1, 2015, the time of engagement, an agreed upon date for completion of analysis was accepted. The completion date was June 15, 2015. On June 16, 2015, when Respondent was unable to provide the analysis, he informed Complainant of such. Respondent, at this time, explained to Complainant that he was having a difficult time obtaining proof of ownership for the boat slip assigned to the subject property. Complainant claimed that he could obtain possession of these documents for Respondent. Complainant requested that a value opinion be provided that day, and Respondent stated he was glad to provide it, but that certain assumptions would have to be made along with a hypothetical condition until proof could be provided. After the requested information was supplied to Complainant, Complainant had a number of questions for Respondent. Respondent stated that Complainant then indicated his need for the appraisal had expired and suggested that the fee be split evenly. Respondent did not find this acceptable since a great deal of work had been put into the assignment and agreed to refund Complainant \$125. Respondent stated he will provide Complainant with items from the workfile that he deems appropriate at his earliest convenience and that he has always responded to Complainant with respect and professionalism. Respondent stated it should be noted that Complainant has listed the subject property since the cancellation for approximately \$40,000 more than the range provided and has had a previous issue with a former appraiser about square footage, and this appraiser refused to return to the home. Respondent stated it seems to be a pattern for Complainant.

Licensing History: Registered Trainee 3/25/1998-10/10/2000
 Certified General 10/11/2000-Present

Disciplinary History: (200706808-Closed with Letter of Instruction)

Reasoning and Recommendation: Counsel recommends that this matter be closed with no further action as the Board does not have jurisdiction over the amount of time it takes for an appraisal to be completed and returned to a client

Vote: Mr. Collinsworth made a motion to accept counsel's recommendation. This was seconded by Ms. Johnson. The vote carried unanimously.

4. 2015016941

This complaint was filed by a consumer and alleged that Respondent under-valued a residential property by using incorrect comparable data.

Respondent sent a response to the complaint stating that he was requested by a management company to complete this report and to estimate market value. This was a conventional loan with a sales price per a furnished contract of \$215,000. The subject is located in a rural mountain area of the state, an estimated one hour drive from Respondent's office. The subject area is served by various MLS systems and typically has few sales of a current nature in any one portion of the county; thus, an expanded market area is required. This was clearly noted in the original report. Respondent stated he has worked weekly in the subject area market for the past 30 years, both as a residential and commercial appraiser. The subject is an older 1970s home located in an older conforming residential development of a conforming nature that has been well updated as clearly noted in the report. No boundary survey was furnished to Respondent. Respondent stated it is not atypical in rural counties to have a CRS state one size, a deed and/or tax card and/or a boundary survey will all have close but various sizes. The subject site slopes upward from road grade to a home site, then has a rolling to level rear yard for an estimated 75 feet from rear of the house. The balance of over a ½ acre plus slopes off sharply to the right rear of the site and is basically non-functional and would be considered excess land. Thus, once owner requested and furnished via realtor the additional site size, Respondent amended the file to reflect the 2.37 acres and made no change in land value and/or final sum total value as the market would consider this as excess land due to the steep sloping topography. The subject had a sale/contract price of \$215,000 and a final market supported appraised value at \$208,000. No request for reconsideration of value from the buyer and/or lender was made to the appraiser. The complaint is from seller.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

Cost Approach:

- The property was valued by the Cost Approach as set out on page 3 of 6 of the appraisal. The concluded value based on the Cost Approach was \$214,120. The land value component of the property was estimated at \$18,500. Under the Cost Approach comments, the statement is made that the site value estimate is based on analysis of site sales, and abstraction of site values from sales of improved properties.
- The work file included MLS copies of some land sales but typically these were large tracts ranging from about 10 to 143 acres. I did not see any analysis within the work file as to the derivation of the site value estimate.
- The site size utilized within the original appraisal was 1.84 acres. I plotted the tax map using an area tool from Courthouse Retrieval Systems. This method indicated site size of 2.36 acres and conformed reasonably with the deed description. The narrative of the tax card stated dimensions of 175 feet by 456.9 feet by irregular. It appears that the 1.84 acre size determination was based on multiplying the two dimensions listed on the tax card.
- A second appraisal was submitted which corrected the land size from 1.84 to 2.37 acres. No adjustment differences or conclusion differences were made between the revised appraisal and the original appraisal.

Sales Comparison Approach:

- The Sales Comparison Approach was conducted utilizing six (6) sales with adjustments made for various physical differences. The value conclusion based on the Sales Comparison Approach and the final conclusion within the appraisal was \$208,000.
- The six sales ranged in price from \$190,000 to \$255,000. The indicated value for the subject property ranged from \$173,306 to \$243,384 after adjustments. An average of the indicated values was \$211,260. The three sales that had the lowest combination of gross and net adjustment offered an average indication of \$221,084.
- Considering these metrics, some additional explanation as to the conclusion at \$208,000 would likely be in order. Reading the summary of sales comparison approach in the appraisal, the referenced addendum states the indicated value range \$173,306 to \$243,384 and indicates an adjusted range or value of \$208,903. The comments, however, do not indicate why the conclusion at \$208,000 was made.

Appraisal Participation:

- Only the appraiser signed the report. However, a paragraph in the addendum sets out the possibility for others to have participated. It is not clear if there was any additional participation.
- Standards require the appraiser to not submit a substantial error of omission or commissions that significantly affects an appraisal and not render appraisal services in a careless or negligent manner
- The land area appears to have been calculated by only considering two dimensions of an irregular sized tract. A second appraisal corrected the size but no meaningful reason was given for value contribution of site remaining the same.
- Opinion of site value was not developed by an appropriate method or technique.
- This standard requires the analysis of all agreements of sale. The property was under contract at \$215,000 but analysis of this agreement was not set out in this appraisal.
- Examination of the legal description would have likely precluded the error as to tract size.
- The certification requires specificity as to those people who significantly contributed to the report (see item 19). This conflicts with that section of the report sub headed "office staff" when several people associated with the firm are listed as "may have contributed".
- The combination of the certificate language and the above statement does not specify the participants for this report.

Respondent's Response to Reviewer's Conclusions

- With regard to the cost approach, as stated in the opening comments, the subject is located in a highly rural area with few sales on a year to year basis. The subject is located in a subdivision that is over 40 years old, that is 100% built out for years. No recent lot sales with or without acreage were located. The subject development is hilly and highly sloping. In seeking acreage and/or lot sales the majority of the developments in recent years are high end developments and many are gated and superior to the subject's mid range community. Our office file simply contained a wide range of various acreage sales. Simply speaking, no other could be confirmed of a supporting nature in this county. Our office policy is we must be able to double confirm any sale improved and/or not improved or we will not consider. With regard to the reviewer comment that I arrived at lot size by multiplying this by this, the reviewer is adding subjective assumptions throughout this process.
- With regard to the sales comparison approach, Respondent stated that if the reviewer does not read the entire original report that states the subject's high amount of over improvements of a seven car garage compared to a two car garage development, he is not considering the entire context of our value process. As well as the lack of supporting older home sales, noting as stated above only one sale was located over 20 years old in a highly expanded market and several of the sales attached were from the listing/selling realtor after the appraiser requested their support for the subject. In reading the report, the reviewer should note the expanded comments and expanded market search and the lack of any 25 year old plus brick ranchers with a seven car garage, there are none.

- With regard to appraisal participation, Respondent stated his residential reports all contain a simple paragraph noting his office staff by name and job. With various individuals being office administration, they are not part of the appraisal completion. Respondent does have two other appraiser who have their own clients but work under Respondent' office standard. The statement does say at times the other two appraisers may assist in the appraisal process, including field inspections. However, it clearly states unless so stated none have contributed to the final value. So Respondent is at a loss as to why this is confusing to the reviewer. In the subject report, Respondent only inspected the subject and completed said report, or as stated in his comments, he would have so stated. Otherwise, Respondent would have added the other appraiser's name.
- With regard to a lack of analysis of the sales contract, Respondent stated his URAR clearly states this is an arms-length conventional sale at the noted contract price, and noted no closing costs to be paid. Furthermore, the contract date and the listing history were noted. As per USPAP, this is adequate.

Licensing History: Certified Residential 10/31/1991-10/21/2007
 Certified General 10/21/2007-Present

Disciplinary History: (200901748-Dismissed; 201200774-Dismissed)

Reasoning and Recommendation: Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Mr. Collinworth made a motion to accept counsel's recommendation. This was seconded by Ms. Point. The vote carried unanimously.

5. 2015017491

This complaint was filed by a consumer and alleged that Respondent under-valued a residential property by using inappropriate comparables.

Respondent sent a response to the complaint stating that the subject was appraised and inspected as indicated in the scope of work as requested by his client (the mortgage company). As of the effective date of the appraisal, the cellar/crawlspace appeared to be adequate, but this is from an appraiser and not a home inspector. Respondent stated that as an appraiser, he is a valuation expert. The appraiser does not operate all of the electrical, plumbing, and/or mechanical systems. The appraiser merely observes and does not fully inspect the foundation, floor system, subfloor, roof system, or other structural components. Only a head and shoulders inspection was done, which is required by HUD. The appraiser is not an expert in construction methods and materials. Unless otherwise reported, the subject improvements appeared to be in compliance with zoning, local codes, and generally accepted construction materials and methods. The appraiser makes an economic evaluation of the subject property.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The assignment under review was submitted to the state as a complaint by the buyer of the subject property. The Complainant alleges that the appraiser did not properly disclose mud, mold and structural damage in the basement. The appraiser alleges that he only performed a "head and shoulders" viewing of the area and, from that perspective, did not see evidence of any of the items mentioned above. The appraiser states in his response to these allegations that he is a valuation expert and not a home inspector and "merely observes and does not fully inspect the foundation, floor system, subfloor, roof system, or other structural components." Though there is some truth to this statement, the assignment is for FHA insurable purposes which does require the appraiser to pay special attention to "readily

observable" property conditions related to the soundness, safety, and security of the property. If the specific items mentioned above existed on the day of the appraiser's inspection and could have reasonably been seen by the appraiser, assuming sufficient diligence had been performed, then the complaint has validity since failure to observe, disclose, and require repairs is an essential part of the scope of work for any FHA appraisal assignment.

- There is confusion as to whether the property has a basement, cellar, or crawl space. The Complainant calls the area a basement, the appraiser, in the appraisal report, indicates that it is a crawl space, but then describes the area as a cellar/crawl space in his response to the complaint. An exterior picture of the side of the subject property gives the impression that there is more than a crawl space there. MLS #1632063 describes a basement area as being partial/unfinished. A "head and shoulders" viewing is all that would be required if the area is a crawl space; however, if the area is a cellar or basement, then the appraiser, per FHA requirements, would need to personally enter into the area as far as possible to inspect for readily observable items that affect the soundness, safety, and security of the property. If such items exist, they are to be disclosed in the report and repairs required. Since the appraiser admits that he only performed a head/shoulders inspection from the foundation access opening, he admits that he did not enter into the basement/cellar area and, as a result, neglected to discover the above stated conditions affecting the soundness and safety of the property. [Competency Rule(lines 351-359); SR 1-1(b)(lines 501-506); SR 1-2(c)]
- In addition to the stated reason for the complaint, per client requirements, a full appraisal review is performed on the appraisal report submitted to the client dated 05/11/2015 for USPAP compliance. The following report is submitted indicating the results of this review.
- **Unsupported Site Value:** An opinion of site value is provided in the cost approach. The following statement is provided in support of the site value opinion: "Site value from recent sales of vacant sites in the area or extraction." There are no land sales or extraction techniques provided in the report to support a site value opinion. There is no summary of support and no reconciliation of data to support any site value at all. Since an opinion of site value is, by definition, an appraisal, all applicable standards rules in Standard 1 and 2 are required of the appraiser. An opinion of site value that is unsupported is not meaningful to the intended use and is potentially misleading. [SR 2-1(b); SR 2-2(a)(viii)]
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:**
 - A market conditions adjustment is made to Sale 1 (sold 12 months prior to the effective date), but no adjustment is made to Sale 3 (sold 11 months prior to the effective date). The stated reason is that "the market has increased since the sale of comparable 1." However, on the front page of the report the appraiser indicates that property values are stable. The adjustment to Sale 1 is inconsistent with the rest of the report; also, no support is summarized in the report or found in the workfile.
 - A \$50,000 location adjustment is made to Sale 3; no explanation is provided in the report or in the workfile to support the need for the adjustment or the amount.
 - A \$50 per sf GLA adjustment is made along with several other minor adjustments with no explanation or support found in the report or in the workfile. [SR 2-2(a)(viii); Record Keeping Rule(line 321)]
- **Reconciliation:** An insufficient reconciliation is found in the sales comparison approach to value. Five properties are used in the analysis with a wide range of adjusted values (approximately \$83,450 which equates to a 42% variance from low to high. The only statement of reconciliation made in the analysis is, "Near equal weight is given to the comparables." This statement is insufficient to explain how the appraiser arrived at the final opinion of \$240,000 from the wide range of adjusted values indicated by the comparable sales. Reconciliation, as defined in The Dictionary of Real Estate Appraisal, 5th Edition, is "the process of reducing a range of value indications into an appropriate conclusion for that analysis." [SR 1-1(a)(b); SR 2-2(a)(viii)(line 732-734)]

- The appraiser did not include, in the certification, a statement regarding any previous performance of services related to the subject within the previous 3 years. [SR 2-3(line 822)]
- The appraiser failed to make a sales concessions adjustment for Comparable 3. There is no explanation for this omission. [SR 2-1(line 652)]
- An opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. [SR 1-3(b); SR 2-2(b)(ix)]
- The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review.
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review is deficient in its compliance with the Uniform Standards of Professional Appraisal Practice and, therefore, the credibility of the assignment results is impaired due to the type and extent of non-compliance as specified in this report and summarized above.

Respondent's Response to Reviewer's Conclusions

- Lack of reporting sales history: After reviewing the above the appraiser researched public records again and did note that the subject did have a sale that took place May 2013. ,
- Lack of land value support (cost approach): The land value indicated in the cost approach section was based on the current assessed value of the subject site, then verified that amount to be within range of land sales in the subject's market area.
- All costs stated in the cost approach were based on Marshall and Swift; however at this time the appraiser is unable to verify specific pages due to the fact that the appraiser no longer practices the appraisal profession, therefore no long has access to the Marshall & Swift Cost Handbook.
- The adjustments as stated in the addendum of the appraisal was derived through area and market sales with significant weight on the opinion/knowledge of the appraiser.
- The average dollar per square foot was \$110. However the appraiser does not agree that it is acceptable appraisal practice by taking dollar per square foot and multiplying it by the gross living of the subject property and then taking consideration to the basement and amenities is how the final opinion of value is arrived at. The appraiser thoroughly stated in the appraisal how the final opinion of value was arrived at.
- Please note that many of the figures that were stated in the letter were merely opinions and also did not have specific notation as to where these figures came from.
- *The appraiser also would like the State of Tennessee Board to know that she is no longer actively practicing. The appraiser's license expires December of 2015 and will not be renewing.*

Licensing History: Registered Trainee 3/15/2001-7/6/2003
Certified Residential 7/7/2003-Present

Disciplinary History: None

Reasoning and Recommendation: The reviewer found that the report is deficient in its compliance with USPAP. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms to be settled by Consent Order or Formal Hearing.

Vote: Mr. Collinsworth made a motion to accept counsel's recommendation. This was seconded by Ms. Johnson. The vote carried unanimously.

6. 2015017571

This complaint was filed by a realtor and alleged that Respondent under-valued a residential property by using old comparable sales data. The complaint alleges that Respondent used houses in the same subdivision that had closed over 6 months to a year earlier and one house in a subdivision that is not comparable to the subject.

Respondent sent a response to the complaint stating that during the course of the assignment, Respondent has analyzed over 40 sales in the market to include properties within and outside the subject subdivision. Seven of those closed sales were included in Respondent's report, along with five current listings. Two of the seven sales are located in the subject development as required by Fannie Mae, to analyze properties inside the subject neighborhood and trends, also one pending sale and two listings within the same neighborhood. Respondent stated that Fannie also states that sales, which are the most recent, may not be the best comparables. Older sales more than 6 months or more than one year may be the best selection of comparables, since they may require less adjustments. Respondent stated he expanded his search to include a five mile radius, to analyze sales, which are the most competitive in the market, being most similar to the subject. In the process of analyzing all sales, and developing a final opinion of market value, Respondent has considered the theory based on the principle of substitution in his analysis. Comparable sales four and five were personally appraised by Respondent, so he is familiar with these properties and concluded these sales are a good representation of the subject. Based on the sales analyzed, which have closed, and the pending sale in the subject neighborhood, Respondent supports his conclusion of market value as of the date of site visit.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Unsupported or Unexplained Adjustments in the Sales Comparison Approach:** No adjustments are made for sales concessions though sales concessions are indicated for every closed sale. The explanation provided is: "Seller concessions in the market are paid towards buyer's closing cost, pre-pays, title, etc., and have been prevalent for over 25 years." This statement does not support not making an adjustment, it is, rather, a clear indication why an adjustment should be made. The definition of market value, as defined in the report, states: "the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sales. Adjustments to the comparables must be made for sales concessions." [SR 2-2(a)(v)(Line 704); SR 2-2(a)(viii)]
- In addition, the report states, "market derived adjustments were made to the comparables for age, number of baths, GLA, basement finish area, number of garages." Though all adjustments are reasonable, there is nothing in the report or in the work file that provides

the market support for these adjustments as stated in the report. [SR 2-2(a)(viii); Record-Keeping Rule (Line 321)]

- The appraiser did not provide a proper analysis of the sales contract. A proper analysis would have provided rationale and reasoning as to why the indicated market value of the subject was substantially less than the contract price. [SR 2-2(a)(viii)(Line 732)]
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work average with a few deficiencies in its compliance with the Uniform Standards of Professional Appraisal Practice. These deficiencies are stated within the body of this review report.

Respondent's Response to Reviewer's Conclusions

- With regard to seller concessions adjustment, Respondent stated he has had classes regarding this area, in which with conversations with local appraisers, two of which had trained me stated that these adjustments were not applicable. It has always been Respondent's understanding that no adjustments are quantified for seller concessions in this market since 99% of all residential transactions have 2.00% to 4.50% of the sales price that the seller pays a portion of the buyers closing cost, pre-pays, and title expenses, and a portion goes to the sellers expenses in closing costs, which there is not 100% accurate determination in each transaction actual amounts which goes to the buyer. Respondent was further taught that if any concessions paid were over the typical range, the difference is to be adjusted and disclosed, as if any other forms or gifts discount points and other known items must be adjusted.
- In regard to the market based adjustments, Respondent stated in the report that the market based adjustments were derived from recent assignments. However, he did not state in the analysis of where they were from. He also did not state in the report that the GLA adjustments were based on market/matched pair analysis and did not further state on the source. Respondent could not recall which source this if from.
- Respondent admitted that he did not place in writing a conclusion of the analysis, between the sales contract (purchase price) and final opinion of market value as to why there is a large variance between the two.
- Respondent stated that the errors that were brought to his attention from the reviewer were not intentional, and these errors will not occur in future practice.

Licensing History:	Registered Trainee	12/4/2006-7/10/2007
	Licensed Appraiser	7/11/2007-10/22/2013
	Certified Residential	10/23/2013-Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been a licensed appraiser for more than 8 years with no prior disciplinary action. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Ms. Point made a motion to accept counsel's recommendation. This was seconded by Mr. Collinsworth. The vote carried unanimously.

7. 2015018471

This complaint was filed by a consumer and alleged that Respondent under-valued a residential property by reporting wrong number of bedrooms, bathrooms, and property size. Complainant acknowledges that it is a unique property and required more time and experience to perform accurately. However, if property size and square footage of the home had been accurately assessed the value would have been significantly higher. Complainant stated that Respondent's value is almost \$400,000 less than his tax card.

Respondent sent a response to the complaint stating that the property size is accurate. The property was measured utilizing ANSI standards, which is widely accepted by the industry as a reliable standard for reporting GLA. Respondent stated that if by this statement, Complainant is indicating that the bedroom count is where the discrepancy lies, then Respondent did revise the report to reflect the property as having 4 bedrooms instead of 3. Respondent stated this had no effect on the value or quality of the report. Respondent stated that the discrepancy appears to be based more on highest and best use analysis. Complainant is under the impression that his properties highest and best use is developmental because he cites a land sale that was purchased for the purpose of residential tract development. However, in Respondent's opinion the somewhat narrow shape of the subject site does not lend itself to residential development. Respondent stated that Complainant had a good point that the hangar could be utilized as car storage, and as a matter of fact was/is being used as car storage. Respondent stated that at this point, he made a revision to the report and allocated some contributory value to the hangar as car storage. Respondent stated that he is sorry that Complainant is dissatisfied with the value conclusion but there simply is not sufficient data to justify his opinion of his property value.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- State the Date of the Report: The report states that it was a resubmission, but the report date was not changed in the report.
- Description of Improvements: The report notes that the property does have 4 bedrooms, but the earlier entry of 3 bedrooms was not changed in this updated report.
- Property Characteristics Considered: There are two glaring issues associated with this unique property that need explanation. First, that the modern design of the property does not negatively affect the value or marketability of the property. Second, the airplane features (grass runway and large metal hanger) do not positively affect the value and marketability. The appraiser states in the report that the modern design does not negatively affect value, and that the airplane features do not positively affect marketability and value. However, no evidence or logic was presented to justify these conclusions. Without supporting evidence and logic the conclusions are not credible. [Scope of Work Rule (Lines 402-403)]
- Reconciliation: The report states: "Cost approach is not considered relevant for this age dwelling." and "The cost approach to value is rarely accurate when dealing with older homes such as the subject. To estimate a current cost for a home of this age with multiple layers of renovation is guesswork at best. It would be misleading to include a cost approach with this valuation." The latter statement is likely left over from a previous report. The first statement is misleading as the effective age of the property is only 5 years old. [Ethics Rule (Lines 249-253)]

Respondent's Response to Reviewer's Conclusions

- With regard to the date of the report, Respondent stated that each time the client requested clarification and/or a revision, the report date (signature date) was changed to reflect the day that the report was resubmitted and dated commentary was provided in the addendum in order to ensure that each change was thoroughly documented. However, I never changed the effective date of the report as that date reflects the date of last inspection as well as the date of valuation.
- With regard to description of improvements, Respondent thinks the reviewer may have reviewed a previous version of the report. The report dated May 1, 2015 references 4 bedrooms throughout the report.
- With regard to the property characteristics considered, the reviewer references the modern design not being accounted for. However, the appraiser included comparable 5 which has similar contemporary design. In addition, the following comment was included in the sales comparison addendum: "Except in some extreme examples, style is not a significant factor affecting value and/or marketability in this market area. No adjustments for style are warranted."
- With regards to the airplane hangar/workshop/garage, the following commentary specifically addresses the appraiser's logic and conclusions. I first identified the building in question as a workshop/garage since the typical buyer in this market has no need for an airplane hangar. Therefore, the highest and best use of this improvement is as a garage/workshop. Secondly, I analyzed the market reaction to large workshops and/or additional car storage.
- With regard to reconciliation, Respondent stated the reviewer appears to have a different opinion in large part on the fact that most appraisal users including FNMA, FHLMC, HUD, VA, etc. do not appear to believe that a cost approach is valid on any dwelling more than 1 year old. Respondent disagrees with the reviewer that this statement is misleading as the reviewer was clearly able to follow Respondent's thought process. Respondent stated that the reviewer may disagree with his opinion or thought process, but it was not misleading.

Licensing History: Certified Residential 3/3/2009-Present

Disciplinary History: None.

Reasoning and Recommendation: Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Collinsworth made a motion to accept counsel's recommendation. This was seconded by Ms. Point. The vote carried unanimously.

8. 2015017501

This complaint was filed by a consumer and alleged that Respondent under-valued 2 residential properties.

Respondent sent a response to the complaint stating that the borrower has stated that tax records and Zillow show her properties are being higher in value than that of the final appraised value. These are not sources which someone can base their value of the property on. Next, the borrower discusses the new roof and the cost of this roof, along with the new HVAC and the cost of this upgrade. These upgrades do not change the final value of opinion. These are items which are needed to be updated with older properties. The borrower lives out of state and these are rental properties of hers. Respondent stated that the email that the borrower send to her was very threatening and stated that Respondent must reconsider her value or she will turn Respondent into the state. Respondent stated Complainant is not her client, as the management company is her

direct client. Therefore, Complainant should not be reaching out to Respondent to discuss the appraisal in any manner. Respondent stated there was no misrepresentation of market value provided for either appraisal in question. The best comparables, most recent available, and within the similar market as the subjects were utilized in the appraisal.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The subject is currently zoned RS20 which limits the site to single-unit residential use only. The current improvement on the site contains two units and is therefore a non-conforming use. The appraisal report inaccurately states that the current use is legal. Additional research should have been performed to see if the improvements are illegal or legal non-conforming and the effect on value this might have on the property. [SR 1-2(Line 534); SR 1-3(Line 573); SR 2-1(Line 651); SR 2-2(Line 687); SR 2-2(Line 741)]
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for bath count, gross building area at \$15 per sf, basement area, heating & cooling, and garage. No adjustment is made to Sale 2 regarding seller concessions though \$2,000 of concessions are indicated in the report. There is no support provided for these adjustments in the report or in the workfile. [SR 2-2(a)(viii); Record Keeping Rule(Line 321)]
- The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. In addition, an opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review. [SR 1-3(b); SR 2-2(b)(ix)]
- According to the USPAP definition of appraisal review, the review appraiser must develop an opinion regarding the quality of another appraiser's work. The purpose of this appraisal review assignment is to develop such an opinion within the context of the requirements applicable to the original assignment. Standards Rule 3-3 requires that within the reviewer's scope of work, the reviewer is to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the work under review and to develop an opinion as to whether the appraiser's opinions and conclusions are credible (worthy of belief) and whether the appraisal report is appropriate and not misleading within the context of the requirements applicable to that assignment. The reviewer must provide adequate reasoning for any disagreement with the development or reporting of the original assignment results.
- Based on the reviewer's analysis of the original appraisal report and the revised appraisal reports, as specifically related to USPAP compliance and as described within the body of this report, based on a review and analysis of the appraiser's work file as submitted to the review appraiser, and based on the reviewer's research and analysis of pertinent supporting documentation, the review appraiser concludes that the quality of the appraiser's work under review has minor deficiencies in its compliance with the Uniform Standards of Professional Appraisal Practice; these deficiencies, though needing correction, do not necessarily affect the overall credibility of the assignment results.

Licensing History: Certified Residential 3/14/2007-Present

Disciplinary History: (201301779-Closed with a Letter of Warning)

Reasoning and Recommendation: The reviewer stated that these deficiencies noted, though needing correction, do not affect the overall credibility of the assignment results. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Ms. Point made a motion to accept counsel's recommendation. This was seconded by Mr. Collinsworth. The vote carried unanimously.

9. 2015020971

This complaint was filed by an Appraisal Management Company, who informed our office that Respondent was removed from their panel, as a result of Respondent's submission of a fraudulent copy of his real estate license during a time in which the license was expired. Complainant stated that it reviewed its records and found that Respondent submitted appraisal reports to Complainant AMC during the time frame between which his license was suspended and expired.

This Respondent was disciplined back in 2013 with a Consent Order for \$1,000, along with a 45 day suspension, for the same allegations. Respondent satisfied the terms of the Order at that time.

Licensing History: Certified Residential 2/12/1992-3/3/2013
3/4/2013-5/8/2013
5/9/2013-Present

Disciplinary History: (2012020291-Closed with a Consent Order for \$1,000 and a 45 day suspension)

Reasoning and Recommendation: Counsel recommends that this matter be **Closed with no further action.**

Vote: Mr. Collinsworth made a motion to accept counsel's recommendation. This was seconded by Dr. Mackara. The vote carried unanimously.

10. 20150209751, 20150209752

This complaint was filed by the Tennessee Real Estate Appraiser Commission against Respondents for unlicensed conduct and falsifying a temporary practice permit application. The complaint alleges that Respondent failed to disclose disciplinary history in two other states on his application. In addition, Respondent completed an appraisal of property in Tennessee without first obtaining a license, which constitutes unlicensed activity and makes Respondent ineligible for a license for a minimum of one year.

Respondent sent a response to the complaint via an attorney, which stated that during Respondent 1's entire professional career (which expands over thirty years), he was disciplined on two (2) occasions for two (2) minor infractions. First, in 1997 the Department of Business and Professional Regulation, Division of Real Estate in another state commenced disciplinary proceedings against Respondent 1 arising from his failure to complete seven (7) hours of a USPAP/CORE course which was part of his continuing education requirements. There was no suspension or revocation of Respondent 1's license. Second, as a result of this disciplinary matter, Respondent 1 was charged in 2001 by another state's Real Estate Appraisers Board for failing to disclose the disciplinary action on his 1999 and 2000 applications for State Certified General Real Property Appraiser classification. Respondent 1 was reprimanded and required to pay a fine. There was no suspension or revocation of Respondent 1's license. Respondent stated it is noteworthy that the other state discovered these inadvertent omissions as a direct result of Respondent 1 disclosing the disciplinary action on his 2001 application to that state. These were inadvertent oversights on Respondent 1's part for which he accepted responsibility without excuse.

As background for the complaint filed by the TREAC, on July 25, 2015, Respondent 1's appraisal firm was hired to appraise the commercial property by a national bank. On July 30, 2015, Respondent 2, an associate of Respondent 1, applied for a Temporary Practice Permit with TREAC and was issued

the permit on August 6, 2015. Respondent 1 was under the impression that TREAC only required the appraiser conducting the physical site inspection and having primary responsibility for authoring the appraisal report as needing a Temporary Practice Permit. For this reason, he did not make a timely application for a Temporary Practice Permit. Rather, Respondent 1 relied on Respondent 2 to inspect the commercial property and author the appraisal report. Respondent 1 submitted the Temporary Practice Permit to this office on August 12, 2015, when it became clear to him that as a signor of the appraisal, he would need the permit. The date the first report was prepared and transmitted to the client was August 7, 2015. Respondent 1's office staff prepared the application for the Temporary Practice Permit on his behalf, and they were not aware of his prior disciplinary history in the other two states. Respondent 1 signed the application without reviewing it. As a result, the application was denied by TREAC. While Respondent 1 understands that TREAC cannot excuse this conduct, he hopes that you consider his omissions on the application and failure to obtain a permit as excusable neglect resulting from his own oversight. In no way were the alleged violations committed intentionally.

Licensing History: Not licensed.

Disciplinary History: None in Tennessee

Reasoning and Recommendation: Counsel recommends the authorization of a civil penalty in the amount of Two Thousand Dollars (\$2,000) for Respondent 1 for unlicensed activity and failing to report prior disciplinary history on his application for a Temporary Practice Permit, to be satisfied within thirty (30) days of execution of the Order. In addition, Counsel recommends the authorization of a civil penalty in the amount of One Thousand Dollars (\$1,000) for Respondent 2 to be satisfied within thirty (30) days of execution of the Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Ms. Point made a motion to accept counsel's recommendation. This was seconded by Dr. Mackara. The vote carried unanimously.

11. 2015019181

This complaint was filed by the Tennessee Real Estate Appraiser Commission and alleged that Respondent's report points to collusion and gives no extent for the estimate of value and no consideration to the sales in the subject subdivision or the poor/unstable market conditions there.

Respondent sent a response to the complaint stating that he got a call from the client stating that he needed an appraisal to determine if he had his house listed at an accurate price. There was no mention of any other appraiser, and it was Respondent's understanding that it would be used by him only for sale price purposes. Respondent stated he did his usual sale searches from MAAR and Chandler and looked at sales from each. Based on the data Respondent had, the subject was a 1 story home in good condition. The Chandler comp search for the subject address revealed 10 sales of 1 story homes. Two of the sales were bank sales and 2 were group investor purchases of 24 and 21 sales each. Of the remaining 6 sales, 1 was out of line and the other was a newer home that was more than 1 story. 1 story homes are more expensive to build and are more desirable because people don't like dealing with stairs. Respondent stated he looked through other sales in the MAAR searches and made a comment about 1 that was an REO sale he did not use. After looking at sales in the neighborhood, Respondent used the remaining 4 sales in Chandler search. Respondent pulled the MAAR data sheets on the 4 sales and used the physical data on the sheets for his sales grid. The GLA on comp 4 is 1874 square feet, which is what he used for each sale. The sales were adjusted and weighted equally.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- Adequate reasoning or support has not been provided for the adjustments utilized in the Sales Comparison Approach.
- Sale #4 has not been properly verified and reported.
- The inconsistencies noted above could diminish the reliability of this report. The information provided and the opinions reported in this appraisal report under review may not provide adequate support for the conclusions rendered.
- The report acknowledges that the subject property was listed however no other information was presented or analyzed.
- Adequate reasoning has not been provided for the adjustments and there are indications that the sales may have not been adequately verified and reported, specifically the building size of sale #4.
- Based on the information provided, the appraisal report under review does not contain sufficient information or analysis to enable the client and/or intended users to properly understand the opinions and conclusions provided in the report.
- **Listing History:** The report acknowledges that the subject property was listed and had been on the market for 17 days, however no other information was presented or analyzed. The subject property was listed on 5/16/2015 for \$153,900. Based on the information gathered from MLS it appears to be a traditional and/or normal listing. [SR 1-5(a)]
- **Neighborhood:** The neighborhood boundaries noted in the report appear to cover a large area that encompasses properties with varying ranges in style, age and quality. The reviewer believes that more narrow neighborhood boundaries could be reasonably defined. These boundaries include the subject property and general market area. There is a difference in opinion about the neighborhood boundaries, but without the benefit of the respondent's work file the reviewer is unable to determine if there was support for the boundaries utilized in the report, or if it is a matter of opinion.
- **Sales Comparison Approach:** Based on the information provided within the report, the appraiser appears to have selected and identified sales similar to, and from the same or similar market area. Adequate reasoning and/or analysis has not been provided for the adjustments utilized. There is a question of whether the appraiser has adequately verified and reported the sales used, specifically sale #4. With the lack of proper analysis of the sales information, the conclusions are considered to be questionable and unsupported, based on the information provided. [SR 1-1(b)(c); SR 1-4(a); SR 2-2(a)(viii)]
- **Reconciliation:** The reconciliation does offer sufficient reasoning for the conclusions offered and does present appropriate information to enable the intended user to understand and rely on the presented report.

Respondent's Response to Reviewer's Conclusions

- The adjustments made in the sales comparison approach are based upon Respondent's knowledge and experience of the subject market and are typical adjustments utilized by other appraisers in this market. It is not feasible to develop a paired sales analysis or regression or an exterior only (drive by) appraisal with a \$225 fee. Furthermore, paired analysis is almost always skewed by other factors of value such as condition, style, functional utility, etc. that were not known or considered. Appraisal is not a perfect science, and Respondent believes the adjustments used were very reasonable and typical for this market.
- Respondent utilized the GLA provided in the top right corner of Sale 4 that is included in the workfile. The data was provided by MAAR. MAAR uses data confirmed by agents and appraisers, and Respondent believes it is the most accurate source of data for physical data in the market. Respondent also used Chandler Data as another source of sales in case there was a sale that was not included in the MAAR search.
- The listing price is located on page 3. Respondent stated he should have put that data at the bottom of the sales comparison grid also. He will be sure to do that in future appraisals.
- In Respondent's opinion, it was necessary to include the larger area in the neighborhood data. The boundaries he used included the retail and office developments and major arteries

necessary to complement the residential uses in the area. Respondent felt like the residential improvements could function more effectively with the inclusion of these additional areas. It's just a difference of opinion.

- Respondent stated it should be noted that the scope of work was to help the client determine an accurate listing price. He was knowledgeable of the physical attributes of his own house and the listing information on his house. It was not for mortgage loan purposes for a bank or FHA. He was supposed to be the only intended user, but it got into someone else's hands.

Licensing History: Certified Residential 3/19/1993-Present

Disciplinary History: None.

Reasoning and Recommendation: Respondent has been a certified residential appraiser for over twenty two (22) years with no prior disciplinary action against him. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Dr. Mackara made a motion to accept counsel's recommendation. This was seconded by Ms. Point. The vote carried unanimously.

12. 2015020912

This complaint was filed by an Appraisal Management Company and alleged that Respondent was removed from their panel for deficiencies in his report and lack of acceptable quality, providing a reasonable basis to believe the appraiser may be failing to comply with USPAP. The complaint stated that Respondent was contacted regarding the deficiencies and provided an opportunity to respond. Respondent's response did not mitigate the findings.

Respondent sent a response to the complaint stating that there is not a reasonable basis to believe that the appraiser failed to comply with USPAP. Also, there is no reasonable basis to believe that the appraiser has violated applicable laws or engaged in unethical or unprofessional conduct. The allegations of the Complainant that the appraiser did not comply with USPAP are not supported. Respondent claims he has complied with both USPAP and Complainant's requirements. (Respondent attached documentation of such.)

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Neighborhood:** The report provides information addressing area trends such as neighborhood characteristics and housing trends, including pricing. According to the report the predominant one-unit housing price is \$275,000. The 1004 Market Conditions report attached to the submitted report indicates the median comparable sales prices are considerably less values over in the previous 12 months prior, as of the effective date. It was also noted that according to the comments found in the comment addendum of report that *"the Median Sales price was \$182,000"*. Based on the inconsistencies noted, the information provided in the report regarding area pricing trends does not appear to have been adequately and reasonably analyzed and discussed. [SR 1-1(b)(c); SR 1-2(e)(i)]
- **Description of Improvements:** The subject property was described as a one and one half story detached brick veneer sided, contemporary style residence with an asphalt shingle roof and double hung windows. The report notes that the property has 9 rooms, 4 bedrooms, 2.1 baths, contains 2834 square feet and has a three car garage. The subject property was built in 2010 and is 5 years old as of the effective date of the appraisal report, with the appraiser noting that the subject has an effective age of 4 years and a remaining economic life of 46 years for a total economic life of 50 years. Additional features noted in the report were, *"none noted at time of inspection"*. It was noted in the complaint that the sketch provided in the report does not match the photo provided. The sketch presented

does not match the front elevation of the subject photo. The differences between the sketch and photo create a level of uncertainty and reliability of what is being described. The report indicates that the subject property contains 2834 square feet. According to MAAR Data – property detail (attachment #2) it has been previously reported by an appraiser in 12/2010 that the property contains 2510 square feet, and by the assessor’s office in 12/2014 that the property contains 2416 square feet. It is understood that USPAP Standard Rules requires the appraisal report to adequately identify, address and/or summarize those relevant characteristics of the improvements and any effect they may have on value. By not adequately describing the relevant characteristics, the client/intended user(s) do not have the ability to properly understand the appraisal report. It appears that the report contains insufficient information to enable the client/intended user to understand the report, based on the physical characteristics presented. [SR 2-2(a)(iii)]

- **Sales Comparison Approach:**

- The following adjustments were noted in the report:
 - Bath Count - \$3,000 to sales 2 and 4 for a 1.5 bath difference, - \$2,000 to sale 1 for a full bath difference, -\$1,000 to sales 3, 5 (listing), 6 (listing) for a half bath difference.
 - Size (GLA) \$15.00 per square foot to sales 1, 2, 4, and 5
 - Car Storage +\$2,000 for garage differences to sales 3, 5, and 6.
 - Market Adjustment – 3% to sale 1 and 1% to sale 2.
- There was no adequate reasoning or analysis found in the report to support these adjustments. In summary, adequate reasoning has not been provided for the adjustments and sufficient analysis has not been provided to support opinions and conclusions. With the lack of proper analysis of the sales information, the conclusions are considered to be questionable and unsupported, based on the information provided. The report does not provide sufficient information to enable the clients and intended users to understand the rationale for the opinions and conclusions provided in the sales comparison approach to value. [SR 1-1(a)(b)(c); SR 1-4(a); SR 2-2(a)(viii)]

- **Site Value/Cost Approach:**

- \$50,000 site value was noted in the cost approach section (URAR report page 3 of 6). The report notes in the site comment section of the cost approach, *“Site value for vacant land sales”*. Information was found in the work file information provided, indicating that an analysis was made to arrive at an opinion of site value. The following comment was found in the work file, *“Note: The site value for the report was based on the land values of the four comparables that were used in the appraisal report”*. No further information was provided on how the land value was extracted from these sales. Based on the information provided in the report and the work file, there is insufficient data presented to indicate that the land value presented is market oriented or developed by an appropriate appraisal method or technique. [SR 1-4(b)(i); SR 2-2(a)(viii)]
- The cost approach to value was completed utilizing Bluebook appraiser base with a processing date of 2/20/2015; the effective date of the appraisal report is 4/1/2015. Information was found in the work file documentation submitted that states, *“The appraiser does not have the cost data sheet from Blue Book International as of the date of the appraisal”*. Without the data the reviewer cannot verify or recreate the cost approach to value as presented, nor was there supporting information or discussion indicating the figures and analysis presented are market oriented. In reviewing the figures presented, the depreciation numbers utilized do not match the figures presented. Reported depreciation is \$46,222, which is approximately 17% of the total cost new of \$270,560. According to the information in the report, the subject has an effective age of 4 years of a 50 year total economic life, which would indicate a depreciation of 8%. 4 years effective age / 50 years total economic life = 8% or

\$21,645, ($\$270,560 \times 8\% = \$21,645$). These inconsistencies and the lack of support reduce the credibility of this approach to value. Based on lack of information provided, it appears that the cost estimates are not market oriented or supported, that the physical depreciation has not been correctly calculated, and this approach to value has not correctly employed recognized methods and techniques. [SR 1-1(a)(b)(c); SR 1-4(b)(ii)(iii); SR 2-2(a)(viii)]

Respondent's Response to Reviewer's Conclusions

- With regard to inconsistencies in the neighborhood/market area, Respondent stated that these inconsistencies are a fact in the market described in the original report dated 4/1/2015. "The reported predominant value is stated at \$275,000. This is based on data from the MAAR database. The data that was used was comprised of 18 sales in the subject's immediate neighborhood which were similar in age, square footage, and amenities to the subject. The 19 sale prices totaled \$5,206,353. In order to arrive at an average sale price, the total was divided by 18. The average sale price was \$289,242. The appraiser reviewed the 18 sale prices, and found that 8 of them are in the acceptable range (+5%--5%) of \$275,000." To reiterate, the inconsistencies appear to be between the more immediate neighborhood and the more general neighborhood.
- With regard to description of improvements, the sketch should have extended forward by 6 additional feet to more accurately represent the first floor dimensions. Respondent stated he did adequately describe the relevant characteristics at the time of the appraisal. The difference in square footage in the assessor's records would have to be explained by them. That square footage does not coincide with the square footage of the property at the time of the appraisal. As far as the report in MAAR Data that an appraiser reported in 12/2010 that the property contains 2510 square feet, that appraiser also reported a total of 6 rooms in the subject property at that time, just as the assessor's records reported 6 rooms. Since that is 3 rooms less than the subject property had on the date of Respondent's appraisal, that may account for the difference in square footage.
- With regard to sales comparison approach, Respondent stated that since there were inconsistencies in the concessions reported in MLS as compared to the deed, Respondent did not report on concessions. However, Respondent stated he did state that, "No adjustment was made for concessions due to the lack of data in the market to support an adjustment at this time."
- The market adjustment in Respondent's report was understated (incorrect calculation). The annual increase in the market was stated at 7% and should actually have been 16%. This would have made the adjustment to Sale #1 be 9%, and to Sale #2 be 5%.
- With regard to adjustment for GLA, Respondent stated in an attached memo to the client dated 5/15/2015, "GLA Adjustment Rate - The appraiser has arrived at the adjustment for the square footage based on the sale price per square foot for all four comparables. The appraiser took the difference between the high and low. The difference was \$38. Then the appraiser made an extraordinary assumption, based on the appraiser's geographic competence in the area, that in this value range, half of this \$38 might be a little above the norm. Therefore, also based on the appraiser's geographic competence in the area, the appraiser determined that \$15 would be an adjustment that is reflective of this market."
- With regard to adjustments for bath count and car storage, since the sales data in the market did not give a good indication of the principal of contribution for these two items, it would have been better if Respondent had stated that, and not made any adjustments. However, Respondent stated he instead made minimal adjustments for these items.
- With regard to site value/cost approach, Respondent stated in a memo to the client on 5/15/2015, "The site value for the report was based on the land values (MAAR DATA) of the four comparables. The range was from a low of \$42,000 to \$53,000 per lot. The mean of the 4 sales (land values) was \$48,925, or as the report stated, rounded to \$50,000." This is market-oriented because it reflects the value of that land in that subdivision.

- With regard to cost approach, the appraiser relied on the Bluebook Database software for the depreciation number. It was a new program integrated into his ACI software, and automatically inserted the depreciation number. Either it was a glitch, or he input some wrong information which resulted in the 50,000 which is actually and obviously incorrect.

Licensing History: Certified Residential 1/27/2012-Present

Disciplinary History: None.

Reasoning and Recommendation: Counsel recommends that this matter be **Closed with a Letter of Caution**, regarding future appraisals.

Vote: Mr. Collinworth made a motion to authorize a civil penalty in the amount of five hundred dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order, plus a thirty (30) hour Basic Appraisal Procedures Course to be completed within one hundred eighty (180) days of execution of the Consent Order. This was seconded by Ms. Point. The vote carried unanimously.

13. 20150211511

This complaint was filed by a consumer and alleged that Respondent has provided an appraisal that has shown extreme incompetence and gross negligence. Additionally, the complaint alleged that the appraisal does not show proper adjustments, which indicates a lack of knowledge of the area and the ability to properly appraise a property, which has potentially cost the Complainant the contract on the residence.

Respondent sent a response to the complaint stating that this was a VA assignment. As such, they do not want the following items included in their reports, although all approaches are considered: Cost Approach/Site Value/Income Data. Their instruction for all assignments is to only include the Market Approach. Respondent believes that Complainant is being critical of his abilities as an appraiser and his knowledge of the area, where he has been appraising properties for approximately 14 years. The subject property has a covered patio that includes a slab patio off to the side. The slab patio is not specifically mentioned, but it is included in the value of the covered patio. The Complainant states that the slab patio has an added value of \$2,500. It appears that he is looking at the grid where Respondent has adjusted \$2,500 for the subject covered (and slab) patio versus only a slab patio. Nowhere in Respondent's report is a slab patio given \$2,500. The subject site is an irregular shaped lot near the end of a cul-de-sac street that widens toward the rear of the site. As stated in the comments below the sales grid, no further adjustment is required for site utility. This is due to the sales selected as comparables having similar site utility and value. In Respondent's opinion, he has acknowledged the location of the lot and accounted for adjustments, or lack thereof. Respondent stated that regarding gross negligence, extreme incompetence, outside area of expertise, riddled with errors, lack of knowledge of the area, blatantly and grossly incorrect, gross overstatement, etc., Respondent believes that Complainant is speaking in hyperbole due to his sale not going through at the contract amount. As a matter of information, the property did close 9/25/2015 for \$235,000, which is exactly the appraised value shown in Respondent's report.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Market Analysis Trends:** The appraisal report indicates the following market trends in the subject neighborhood: property values are stable, supply and demand are in balance, and marketing time and exposure time are 150 days. These trends are reported to be supported in the report by the 1004 MC form and an addendum providing additional data. No addendum with this information is found in the report and the 1004 MC form, that is included in the report, is considered to contain insufficient data to support these trends. Only 7 sales are reported to have occurred in the past 12 months and only 2 current listings.

Additional listing information is described on the form as “not available.” Marketing time and exposure time of 150 days, as supported by the 1004 MC form, are based on only 2 sales. Median sale prices, as supported by the 1004 MC form, indicate increasing values, not stable. The reporting of trends on page 1 of the report is inconsistent with the data provided on the 1004 MC. In reality, the 1004 MC used in this report, provides insufficient information to support any trend and additional research would be required to develop trend support. This additional needed research is not found in the report or in the workfile. [SR 1-3(Lines 573-577; SR 2-2(a)(viii); Record Keeping Rule (Lines 321-323)]

- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for location (Comp 3), bath count, gross living area, patio, fireplace, countertops, and appliances. The report states that “matched pairs” are used to support these adjustments; however, no matched pairs or any other market support is found for these adjustments in the report or in the workfile. In addition, sales concessions are noted for Sale 1, but no adjustment is made. The only explanation is that the concession “is within market range.” This statement indicates a misunderstanding of uniqueness of the seller concession adjustment; concessions are adjusted to “cash-equivalency” and not to a market range. [SR 2-2(a)(viii); Record Keeping Rule (Lines 321-323)]
- **Highest and Best Use:** The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser’s opinion of highest and best use; this is not provided in the appraisal report under review. [SR 2-2(a)(Line 743)]
- **Signed Certification:** The appraiser provided a statement that he provided no prior service for the subject in the previous 36 months, but this statement does not appear in the certification as required in the Ethics Rule. [Ethics Rule (Lines 254-259); SR 2-3(Line 822)]
- USPAP states that the report option (Appraisal Report) must be prominently stated in the appraisal report. This is stated on page 3 of the report under review, but this may not meet the requirement that it is prominently stated. The appraiser may need to be counselled regarding this matter for future reporting purposes. [SR 2-2(Lines 657-658)]

Respondent’s Response to Reviewer’s Conclusions

- With regard to market analysis trends, Respondent stated the data included on Form 1004MC is used to establish market trends. Given the somewhat limited data found within the geographic neighborhood, clear trends are not apparent. The data is narrowed to resale homes of 2,000 to 3,000 square feet living area. The subject location is rural, and the data found is scattered and not homogenous. The comparable sales data found are relied upon for the housing trends stated on page 1, although the quantity of data is limited. There are sufficient sales and listings to support the trend conclusions stated in the report. Obviously a larger pool of data would be preferred, but the rural nature of the neighborhood does not yield such a quantity of data for analysis.
- The MLS data search results from prior time frames (7-12 months and 4-6 months) is not shown as active when current searches are performed in Realtracs. This necessitates relying on current listing levels to determine shortage/in balance/over supply in the neighborhood section, one-unit housing trends. This is the purpose of “not available” being stated in the grayed out items on Form 1004MC.
- With regard to unsupported adjustments in the sales comparison approach, the location adjustment of \$10,000 applied to comparable #3 is based on matched pairs analysis of the adjusted sale prices of the comparables. The adjustment is supported by Comparables #1 and #2, as the adjustment is applied near the mid-point of those two sales and rounded to the nearest \$1,000.
- The gross living area adjustment is taken from a prior assignment in a similar area with similar price range, living area range, age, and quality of homes. The gross living area adjustment of \$37.00 is taken from this study and rounded to the \$40.00 per square foot.

This study was not filed within the workfile, but was in a master file of matched pairs and did not make it in the document list submitted with the original response to the complaint, by mistake.

- The adjustments for half bath, patio, fence, and fireplace are based on estimated market reaction to these items. Respondent stated that he did not state in his report that paired sales analysis was used to establish adjustments for these minor items, but rather that matched pairs were used for location and GLA. The amount of these items is taken from the appraiser's expertise in purchasing these items for home renovation and the associated cost of said items.
- An analysis of adjusted sale prices of comparable #1 and #2 indicates that an adjustment for the concession is not warranted. Respondent's statement that the concession "is within market range" is specific to VA assignments, as they have counselled Respondent for their reports that they prefer this be stated regarding concessions.
- With regard to highest and best use, Respondent stated he performed an analysis of the 4 tests. The conclusion of highest and best use is supported in Respondent's workfile as the only legally permissible land use, other than vacant land. If only single family residential use is allowed, the first test is the primary determining factor of allowable uses of the site and the other three tests are not necessarily developed in detail.
- With regard to the signed certification, Respondent stated that on page 3 of Form 1004, he reported, "The appraiser of this report, as indicated in the signature section, has not provided a prior service for the subject property in the 35 months prior to the effective date of the report." Respondent stated this statement is correct and satisfies the Ethics Rule in USPAP.
- With regard to the appraisal report being prominently stated, Respondent stated that he clearly reported on page 3 of Form 1004, "The report option is APPRAISAL REPORT". This is prominently displayed and any intended user would surely see this statement upon even a casual browsing of the report.

Licensing History: Certified Residential 8/21/2001-Present

Disciplinary History: (200420646-Dismissed)

Reasoning and Recommendation: The reviewer did find multiple deficiencies in compliance with USPAP within Respondent's appraisal report. Respondent has been a certified residential appraiser for over 14 years with no prior disciplinary action against him. Respondent's response to the reviewer's conclusions seems to answer a lot of the allegations by the reviewer. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Collinsworth made a motion to accept counsel's recommendation. This was seconded by Ms. Johnson. The vote carried unanimously.

14. 2015019711

This complaint was filed by a lender (bank) and alleged that Respondent performed a non-credible appraisal report, and the lender ordered a second appraisal from a different appraiser.

Respondent sent a response to the complaint stating that the report regarding the subject property was completed while Respondent was an employee of an appraisal company where he used to be employed. Respondent resigned from that company in July 2014, due to the company's new procedures. Respondent also sent all requested documentation.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment:**

The appraisal report indicates that the subject property has 12.63 acres; public records indicate that the site size is 11.39 acres. Bing Maps, connected with the Courthouse Retrieval System, supports the 12.63-acre amount. The appraiser was made aware of the difference by the client, but the appraiser made no changes to the property description. It appears that the appraiser did not perform additional research to reconcile this difference. The reviewer pulled the deed on the subject property (DB 2192, Pg. 44) and found that the recorded size of the property is 11.39 acres. Based on this research, the indication of property size of 12.63 acres is incorrect. [Scope of Work Rule (Lines 393, 406-418); SR 1-2(Lines 510-512); SR 2-2(Lines 743-751)]

- The Complainant provided photos of outbuildings and a mobile home that exist on the subject property. Aerial photos, researched by the reviewer, indicated that additional buildings do exist on the property. The appraisal report references the existence of a horse barn, workshop, and storage barn, but not a mobile home. The reviewer has not made an inspection of the subject property and therefore a determination of the existence of additional outbuildings, and any possible contribution to value, cannot be verified without such inspection.
- **State the type and definition of value and cite the source of the definition:** No opinion of exposure time is found stated in the appraisal report. A statement is made on page 3 of the report that a reasonable exposure time exceeds the marketing time, but no further comment is found as to how much time is exceeded. [SR 2-2(b)(Lines 766-767)]
- **State the effective date of the appraisal and the date of the report:** The appraisal report dated 08/12/2013 has several revised statements on an addendum that are dated 08/21/2013. It appears that revisions were made to the report after 08/12/2013, but the date of the report did not change. The date of the report is a requirement. The date of the report is explained in **FAQ 131** as the date when the appraisal analysis is completed. Therefore, the date of the final report should have been 08/21/2013 as required by the references cited above. [SR 2-2(b)(Lines 768-772)]
- **Site value:** An opinion of site value is provided in the cost approach. The following statement is provided in support of the site value opinion: "Site value was derived through analysis of comparable, vacant land sales and local tax assessments." Basing a site value on local tax assessment records is not a recognized valuation method. There are no land sales provided in the report or in the workfile to support a site value opinion. There is no summary of support and no reconciliation of data to support any site value at all. Since an opinion of site value is, by definition, an appraisal, all applicable standards rules in Standard 1 and 2 are required of the appraiser. An opinion of site value based exclusively on tax records is not meaningful to the intended use and is potentially misleading. [SR 2-1(b); SR 2-2(b)(viii); Record Keeping Rule(Lines 299-301)]
- **Comparable Sale Selection:** The subject has 2595 sq. ft. of gross living area with a site size of 11+ acres. Sale 2 has only 966 sq. ft., a difference of 63%, and a site size of 5 acres, a difference of 55%. The appraiser's explanation for using this sale is that it has a recent sale date (approximately 5 months prior to the date of the appraisal) and similar utility. The significant difference in GLA and site size calls into question any similarity of utility. Sale 3 has only 1480 sq. ft., a difference of 43%. The appraiser justifies the use of this sale based on similarity of vintage, utility, and condition; again, the significant difference in GLA calls into question any similarity of utility. According to Appraiser Certification #7, on page 5 of the 1004 Appraisal Report Form, the appraiser certified that he selected and used comparable sales that are the most similar to the subject property. The selection of Sales 2-3 for this appraisal seems to conflict with this certification. The appraiser may need to be counselled on how to better select comparable sales that are more similar to the subject.
- **Unsupported and Unexplained Adjustments in the Sales Comparison Approach:** Adjustments are made in the sales grid for sales concessions, site, view, GLA at \$30 per sf, bath count, heating/cooling, garage count, porches/patios, fence, and out-buildings. Although these adjustments appear reasonable, there is no support found for these adjustments anywhere in the report or in the workfile. [SR 2-2(b)(viii); Record Keeping Rule (Lines 299-301)]

- **When an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion:** The appraisal report states on page 1 that the highest and best use is the current use of the property but there is no summary of the support and rationale for this opinion. In addition, an opinion of site value is provided in the cost approach of the report but there is no opinion given for the highest and best use of the site as-vacant. The opinion of site value is an opinion of market value which requires an opinion of highest and best use. The content of an Appraisal Report must contain a summarization of the support and rationale for the appraiser's opinion of highest and best use; this is not provided in the appraisal report under review. [SR 1-3(b); SR 2-2(b)(ix)]

- **Include a signed certification in accordance with SR 2-3:** The appraiser provided a statement that he provided no prior service for the subject in the previous 36 months, but this statement does not appear in the certification as required. [Ethics Rule (Lines 234-239); SR 2-3(line 877)]

- The Report Option (Summary Appraisal Report) must be prominently stated in the appraisal report. This was not prominently stated in the appraisal report under review. [SR 2-2(Lines 625-637)]

- Sale 1, used in the sales comparison approach, indicates that the property is on 3.09 acres and was built 113 years ago. The age is consistent with public records, but not with MLS. It appears that public records only go back to the year 1900 and any house older than that simply appears as having been built in 1900. Public records indicate that the site is 2.83 acres instead of 3.09. Although the differences here may not be significant, the appraiser is still responsible to use sufficient care to avoid making errors, to verify all information necessary for credible assignment results, and to provide a report that is not misleading and contains sufficient information to understand. [SR 1-1(Lines 479-490); SR 1-4(lines 560-561); SR 2-1(Lines 628-631)]

Respondent's Response to Reviewer's Conclusions

- The 12.63 acres as entered within the report and missed during the review process due to the hurried work environment.
- The mobile home as reported within the complaint was in regard to comparable three, no mobile home was found on the grounds of the subject property.
- The final opinions of value that was reported reflected the market value. Market Value is the most probable price which a property should bring in a competitive and open market. The exposure time of the subject was reported to exceed 3 months due to the niche appeal of the subject property.
- The incorrect revision date is result of the hurried work environment during this time period.
- At this time period the appraiser was attempting the use of digital listings to establish site value, and for potential adjustments for variances in site sizes.
- Sales two and three have greater variances in gross living area than preferred; in the appraiser's opinion, these homes would appeal to potential buyer's seeking a historic home.
- The adjustments were derived from the sales of the historic homes and other properties from within the market area.
- The present use as of 08/02/2013 is considered to be highest and best use of the property as improved. The conclusion is to continue the present use as developed, since physical factors such as its size, design and condition as well as legal restrictions (i.e zoning) limit the range of productive use resulting in the highest and best use.
- The previous 36 month statement included within the report as directed per company.
- Summary Appraisal Report was omitted by the appraiser and missed during the review at the company's central operation.
- The incorrect site size for comparable three was result of the hurried work environment during this time period.

The appraiser notes the errors as found by the review appraiser. Please note that significant changes occurred at the appraisal firm including the loss of the Certified Residential Manager and review staff on-site, increased turn-times, unstable ACI software, and unstable

personal computer system. The appraiser has taken continuing education since the completion of this report and is predominantly dormant due to a two year non-compete.

Licensing History: Licensed RE Appraiser 7/16/2008-Present

Disciplinary History: (200901739-Suspended)

Reasoning and Recommendation: The reviewer found multiple inconsistencies and violations of USPAP within Respondent's appraisal report, including a potential violation of the Ethics Rule. Respondent has admitted the inconsistencies, stating that most of which happened due to a hurried work environment during the time period. Respondent's disciplinary history includes a suspension. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms are to be settled by Consent Order or Formal Hearing.

Vote: Mr. Collinsworth made a motion to authorize a civil penalty in the amount of one thousand dollars (\$1,000) to be satisfied within thirty (30) days of execution of the Consent Order **OR** a civil penalty in the amount of five hundred dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order, plus a thirty (30) hour Sales Comparison Approach Course. This was seconded by Dr. Mackara. The vote carried unanimously.

15. 2014029591

This complaint is a re-presentation from the April 2014 Commission meeting, during which the Commission authorized a Consent Order, requiring the Respondent to attend a seven (7) hour Supervisor-Trainee Course and a fifteen (15) hour Residential Report Writing and Case Studies Course to be satisfied within One Hundred Eighty (180) days of execution of the Order. The facts of the case as they were presented at the April Commission meeting are as follows:

This complaint was filed by the Executive Director of the Tennessee Real Estate Appraiser Commission as the result of experience audits of trainee reports. This complaint is made against the supervisor and trainee for failing to comply with USPAP. Significant competency issues and reporting issues were noted. Residential reports with effective dates in 2014 were completed on 1993 Fannie Mae forms for uses other than mortgage lending. Intended use and users were never clearly identified in the report. Approaches to value were not reconciled, and there was no support for the site value opinion. Many unusual adjustments were made with no comments. The use of superior quality comparables with no comments or adjustments were also indicated from photos in the appraisal report. There was no reconciliation for location of in town versus rural properties. Certifications were inappropriate and referenced either 1999 or 2005 USPAP and departure rule for appraisals complete in 2014. The report failed to include the trainee's significant appraisal assistance and the 3 year service certification. The reports also did not report the scope of work performed by the trainee.

In addition to the above, this trainee has submitted multiple reports for experience review, all of which have been rejected. Appraisals were submitted by the trainee for experience review 6/17/13, additional report were requested 7/2/13, additional reports were requested 9/20/13, reports submitted for interview 11/17/14 were rejected for experience hours and in this complaint was opened in order to have the matter reviewed by an independent reviewer for USPAP compliance.

After the Consent Order was sent out to Respondent trainee, she requested an informal conference with Executive Director Avers and I to discuss the Order. The informal conference was held, and Respondent informed us that she needed some time to think about whether or not she wanted to put more time, effort, and money into upgrading her license. As a result, Respondent never took the

requisite classes laid out in the Consent Order, and Respondent license expired on September 30, 2015. Respondent lost the ability to renew at the end of March 2015.

Licensing History:

Trainee: Registered Trainee 9/17/2009-9/30/2015

Disciplinary History:

Trainee: (Consent Order for education in April 2015)

Reasoning and Recommendation: Counsel recommends that this matter be **Closed and Flagged**. If Respondent attempts to re-apply in the future, the previous Consent Order will be considered.

Vote: Mr. Collinsworth made a motion to approve Counsel's recommendation. This was seconded by Dr. Mackara. The vote carried unanimously.

16. 20150209091

This complaint was filed by a homeowner and alleged that Respondent performed a non-credible appraisal report, due to faulty observations, analysis, and conclusions within the report. The complaint also alleged that Respondent relied upon the wrong city and major job center in his evaluation of would-be home buyers.

Respondent sent a response to the complaint stating that he made some typographical and calculation errors on the grid, and that it is a report that he wished he had not accepted. Upon meeting the Complainant, Respondent stated he was informed that Complainant had already filed a complaint on another appraiser and had to pay for a second appraisal before he closed. Respondent stated that Complainant insisted that the siding he put on the house a couple of years ago should increase the value by \$15,000, and Respondent claims his mistake was trying to explain to him that it could be considered maintenance. Respondent stated that Complainant did not contact him after receiving the copy so that his questions could be answered, and if any minor errors or miscalculations were found that needed correcting. The error on comparable 2 is .012 of a percent, the error on comparable 3 is about .12 of a percent, and a revision could have been made. In the neighborhood description, Respondent claimed he did make the error. Marketability for existing homes continue to remain above average for homes within the subject city, it should have been for homes in the subject county. Respondent claims that Complainant is using his position as an attorney to express his opinion.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- **Conclusions:** The work under review has substantial errors of omission and commission. Together these affect the results and have a significant effect on the credibility of the assignment. The report lacked substantive content as required in Standard 2 in several areas. Together these indicate that the appraisal report was rendered in a grossly, negligent manner, which is a violation of the Ethics Rule-Conduct Section. [SR 1-1(c); Ethics Rule – Conduct Section]
- **Scope of Work:** The heading, Intended Use, reads that *the intended user of this appraisal is for internal decision purposes*. Obviously, this is an incorrect statement and is considered a violation. [SR 1-1(c)]
- **Effective Date:** The effective date is reported to be *23 June 2015*. All of the other references to the effective age in the report indicate an effective date of June 22, 2015. It appears that this may be a typographical error. [SR 1-1(c)]
- **Appraisal Type:** The report indicates that the appraisal type is *Restricted Appraisal Report*. According to the information provided in the Engagement Letter, Disc-13, the intended use is *the lender and client listed above and any others that may be identified by the lender/client that*

could have a need to rely on the information contained the appraisal report. It appears that this is a request for an Appraisal Report not a Restricted Appraisal Report. Also, an Appraisal Report is requested in Number 2 under Anticipated Scope of Work. The same error is made in the heading Appraisal and Report Identification on Report-3. There is additional information in paragraph no. 23 of the Appraiser's Certificate, Report-12, that indicates that this is not a Restricted Appraisal Report, when the paragraph indicates who may rely on the report. It appears that the information regarding the Appraisal Type is inaccurate. [Scope of Work Rule; SR 1-1(c); SR 2-1(a); SR 2-2(Comment)]

- **Description of process methods:** The description of the process mentioned reported is partially inaccurate. The report indicates that the *sale comparable approach* was used, but no mention of the cost approach was provided in this heading. The report does include a cost approach. [SR 1-1(a); SR 2-1(a)]
- **Reasonable Exposure Time:** In the third heading, Report-3, the third and the next to last sentences are not completed. [SR 1-1(c)]
- **Intended User Addendum:** The paragraph regarding Clarksville, Tennessee and Fort Campbell, Kentucky, Report-5, does not appear to be pertinent to the located in White Bluff and is misleading. [SR 1-1(c); SR 2-1(a)]
- **Neighborhood:** The information in the Neighborhood Description, Report-7, appears to refer to a neighborhood in Clarksville, Tennessee. As previously stated in the Intended User Addendum, Report-6, the information does not appear to be pertinent to the property located in White Bluff and is misleading. [SR 1-1(c); SR 2-1(a)]
- **Site:** The Dimensions are not provided or referenced as being provided in the report. The information provided is 1.5 ac, which is the same information provided for Area. Further, gas is not marked in this section of the site description. According to the owner and public documents, the site has gas available. [SR 1-1(c); SR 2-1(a)]
- **Sales Comparison Approach:**
 - On Report-8, Comparable Sale #1 is reported to have 2 bathrooms, but according to available information has 2.1 bathrooms. No adjustment is needed. No adjustment or explanation is made for the differences in age.
 - Comparable Sale #2 is reported to have 2.0 bathrooms, but no adjustment is made to the sale for the inferior half bathroom count. No adjustment or explanation is made for the differences in age. The MLS information, Disc-59, indicates that there 2 fireplaces.
 - Comparable Sale #3 is reported to have a similar bathroom count, but an unexplained minus -\$2,500 adjustment is made to the sale. No adjustment or explanation is given for the lack of adjustment for the smaller size of the comparable sale. The MLS information, Disc-62, indicates that there is a fireplace in the recreation room and CRS property report, Disc-63, indicates that the dwelling has a fireplace, but the report indicates that the dwelling does not have a fireplace.
 - On Report-13, Comparable Sale #4 is reported to have 3 bathrooms. A -\$2,500 adjustment, which is the same dollar adjustment made to the sales that have only 2 bathrooms, is made to the sale without explanation. This adjustment does not appear to be reasonable without some type of explanation. The same is true for Comparable Listing #6.

- Comparable Listing #5 is identified in the report as being a 1-story dwelling, but the MLS information, Disc-69, indicates the dwelling to be a have a second-story level of 315 square feet and a barn.
- Comparable Listing #6 is adjusted a minus \$5,500 for a larger lot without an explanation. The bathroom count adjustment is questioned as explained above. The MLS information, Disc-73, indicates that the dwelling was renovated.
- The errors, omissions and limited analysis noted in the sales comparison approach tend to indicate that the final conclusion as presented in the report is unreliable. [SR 1-1(b); SR 1-1(c); SR 1-4(a); SR 2-1(a)]
- **Reconciliation:** The statement is made that *the cost and income approach were not place into this report*. The statement is inaccurate and misleading. The cost approach is included in the report as presented on the page identified as Report-9.
- **Additional Comments:** The first sentence on Report-9 appears to not be applicable to the subject property. In the second sentence that begins with Neighborhood, the information provided is not complete. In the fifth paragraph, the lot value information is not presented very well and is confusing to the reader. [SR 2-1(a)]

Market Conditions Addendum (MCA): There are 2-MCA forms provided in the Disc. The first form is shown on the page identified as Disc-81. This form does not have a report page number, is not complete and is not signed. The second form is shown on the page identified as Disc-190. The information is completed, the page is numbered Report-34 and the page is signed. Some of the information provided on Disc-81 does not correspond to the information provided on Disc-190. The reason that two non-identical forms are provided is not explained. [SR 1-1(c); SR 2-1(a)]

Respondent's Response to Reviewer's Conclusions

- Respondent stated that he agrees this appraisal report should not have been sent out to the AMC/Lender. Respondent stated he cannot explain why a final review of the report was not done as he normally does and can only blame himself for this oversight.
- **SCOPE OF WORK:** The heading, Intended Use, reads that, (the intended user of this appraisal is for internal purposes.) Intended User: The intended use of this appraisal is for internal decision purposes. This statement is to tell what the report is to be used for.
- **EFFECTIVE DATE:** Is a typo in the Scope of Work, it should read 22 June 2015.
- **APPRAISAL TYPE:** After reading the engagement letter, this report should have been marked as "Appraisal Report" and not "Restricted Appraisal Report."
- **DESCRIPTION OF PROCESS METHODS:** In the URAR page 3 of 6 the Cost Approach is there.
- **REASONABLE EXPOSURE TIME:** It should read. The estimated length of time. The property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of the past events assuming a competitive and open market. The appraiser has determined the subject property would have to be exposed for one to six months (time frame) on the open market in order to have a market value of the effective date of this appraisal.
- **INTENDED USER ADDENDUM:** A time adjustment and conditions adjustment are not warranted because of the activity of the military base, which is north about 45 miles. When a brigade go overseas for combat or support of combat operation, the sales drop. When a brigade comes back, sales go up, this goes on throughout the year, because of the diversity of the division. Each time one of these military units move. The market changes when the units are here. Soldiers are reassigned all over the world and new soldiers from all over the world are reassigned here making the market fluctuate constantly. It can be a declining market for three to five months, then switch to increasing market overnight according to the movement of the units.

- NEIGHBORHOOD: It should have read. "Marketability for new existing homes continues to remain above average for homes within the subject county. This area has seen rapid growth for new homes, schools and major employment.
- SITE: A copy of the Deed was placed in the report, page #38. According to the county assessor of property tax records, it shows no gas. The tax card is mark "None" (see tax card), also the Courthouse Retrieval System Data show no gas.
- SALE COMPARISON APPROACH: Comparable #1, I was incorrect, there are 2.1 bathrooms according to the MLS. The age adjustment is not made for house within 10 years of the age of the subject, this is not explained in the report, some appraiser only use 5 years.
- Comparable #2, There should have been an adjustment upward for \$2500. The age adjustment is not made for a house within 10 years of the age of the subject. This is not explain in the report, some appraiser only use 5 years. Talking to the Real Estate Agent the one fireplace was a brick chimney, the other one is a free standing that could easily be removed.
- Comparable #3, There should not have been any adjustment for the half-bath. It shows on the grid there was a \$7500 adjustment for the smaller size in the house. As stated in the Intended User Addendum. The appraiser used the MLS (Real Tracs) records as comparables in this report.
- Comparable #4, The subject has 2.1 bathrooms, comparable 4 has 3 full bathrooms, an adjustment was made for the difference in the negative amount of \$2500 for the bathrooms being smaller. This was also in Comparable #6.
- Comparable #5, The MLS shows a 2.00 house, it also show that the main floor has 1768 square feet with only 315 square feet on the second floor. In my opinion to be a 2.00 story, the upper level should have at least% of the same GLA as the main level of the house. The appraiser missed in the MLS that this property had a barn.
- Comparable #6, The size of the lots, on the third page of the URAR it states, "the appraiser found (4) sales within the market area that are less than 1.88 and more than 1 acres. The appraiser estimates this lots \$27,000. The appraiser found 3 sale within the market area that are less than 3.3 and more than 2.61 acres. The appraiser estimates these lots \$32,500.
\$32,500 - \$27,000 = \$5500
- RECONCILIATION: The last sentence should have read. The income approach is not placed into this report, because it is irrelevant to the average buyer the income from investment property would be, when they are buying a home.
- ADDITIONAL COMMENTS: These states are to explain, the URAR. Many lenders ask those. Major Highway, fairway, interstate and divided highway, effect the marketability of the property. This explains to them that it does not in this area.
- NEIGHBORHOOD: Present Land use%: Other is vacant land. Many lenders ask about Present Land Use %. This explain the Neighborhood: Present Land use %, Other is vacant land, on the first page of the URAR.
- FIFTH PARAGRAPH: The lot value. This shows that the appraiser used the sale approach to find the lot value of the Comparables.
- MARKET CONDITIONS ADDENDUN (AMC): The only expectation I have is that one of my file copy got mix in with the report I sent to the state. It was not signed. The MCA that when to the bank by email was signed.
- FINAL COMMENTS: This is one report I wish I had never accepted, because when I arrived at Complainant's property, the first thing I notice was the entrance. "Major". See photo. After I introduced myself I asked him what branch of military he served in, seeing that both of us were retired military. I was told United State Air Force Officer as a Major when he retired. We discuss I was retired Army Staff Sergeant. Being an attorney I assumed that as his profession explained to me he was a navigator, not an attorney. We discussed what I did in service, we also discussed the house, during this time he explained to me that he had made a complaint on another appraiser because he found what he thought were errors in the other appraiser's report and he had to pay for a second appraisal before he closed. That is when I

should took as a threat if I did have the perfect report he would file a complaint and walk out, but I gave him the benefit of a doubt.

- When Complainant called me one Saturday wanting me to send him a copy of the report, I explained to him that I could not that he must get it from the bank, I could not send him a copy. I also explained to him if he had any questions please call me and I would come to his office and sit down with him and explain. He informed me that he knew all about appraisals and how the bank handled them. Then he started telling me about the siding he put on the house a couple of years ago and that should raise the value by \$15,000. My mistake was trying to explain to him it could be considered maintenances. He explained to me that it raised the value of the property. I explained to all client that maintenance is maintenance. A lamp in your living room has a 20 watt light bulb, burns out, you replace it with a 40 watt light bulb, does it increase the value, according to Respondent it does. I tried to explain to him that it does not, I stated that something ya'll attorney's can argue in court, then I went further in my explanation. If you put a 100 watt light bulb in the same lamp. It could be over kill because the lamp capacity is only 75 watt. I could tell he was getting upset, by the tone of his voice. I again told him if he had any questions to call me and I would come over to his house or office and go over the appraisal. If he had called me I would have corrected all typos and errors in the report.
- I disagree with parts of his last paragraph that he did not want to place the appraiser under the microscope in his complaint. Sending a letter to the State of Tennessee Regulatory Board, he knew it would put the appraiser and his work under the microscope. Also used his company letter head as an attorney. If he had sent his complaint as a consumer he would not have used his company letterhead.

Licensing History: Registered Trainee 8/15/1994-9/26/2004
Licensed RE Appraiser 9/27/2004-12/16/2007
Certified Residential 12/17/2007-Present

Disciplinary History: (201201521 & 201201865-Closed with a Consent Order with a \$1,000 civil penalty and education)

Reasoning and Recommendation: The reviewer found that the appraisal report had substantial errors of omission and commission. Together these affect the results and have a significant effect on the credibility of the assignment. Respondent has a brief history of disciplinary action. As such, Counsel recommends the authorization of a civil penalty in the amount of Five Hundred Dollars (\$500) to be satisfied within thirty (30) days of execution of the Consent Order. Such terms to be settled by Consent Order or Formal Hearing.

Vote: Mr. Collinsworth made a motion to strike the Ethics Section violation quoted by the reviewer in the reviewer conclusions and authorize a civil penalty in the amount of one thousand dollars (\$1,000) to be satisfied within thirty (30) days of execution of the Consent Order, plus a fifteen (15) hour Market Analysis Course, a thirty (30) hour Sales Comparison Course, and a fifteen (15) hour USPAP Course to be completed within one hundred eighty (180) days of execution of the Consent Order. This was seconded by Dr. Mackara. The vote carried unanimously.

17. 20150211411

This complaint was filed by a consumer and alleged that Respondent under-valued a residential property.

Respondent sent a response to the complaint stating that the complaint centers around a low value on an improved 9.79 acre property. Complainant is incorrect in her statement that there was no value given to the improvements of the property. Respondent stated adjustments were calculated and made for the improvements as shown on the report, however, no similarly improved acreage

tracts were found, thus, the use of the land form and the selection of sales that were all vacant sites. Respondent confirmed the presence of a subsurface, sewage disposal system with Complainant, but shortly thereafter confirmed with the county building and codes department that there were no permits on file. The Complainant states that the appraisal value came in almost fifty percent less than the value appraised for the property tax purposes. The tax assessors' value for 2014 was \$82,300. Respondent stated he assigned a market value estimate of \$54,000 or a 34% difference. The combination of several factors likely contributed to Complainant's incorrect perception that the improvements were given no value. First, the improvements were marked "vacant" on the report, and secondly, the lack of comparably improved tracts, specifically a barn apartment with 975 square feet which led to the decision to complete the appraisal on a land form report and finally, the lack of proper permitting. Complainant states correctly that the report indicates the improvements are "vacant". This is an error. In fact, Complainant occupied the improvements as of the date of inspection. Respondent stated, in closing, that the value assigned and the reports comply with the statements made in regard to interest in the property appraised, that there were no personal interests with respect to the parties involved, and that the appraiser has no bias with respect to the property.

REVEIWER CONCLUSIONS [alleged violations included within brackets]:

- The report lacked substantive content as required in Standard 2 in several areas. Together these indicate that the appraisal report was rendered in a careless or negligent manner, which is a violation of the Conduct Rule.
- **Identification of the Subject Property:** The occupancy of the improvements on the property was misreported as being "vacant", when the improvements are occupied by one of the owners. [SR 1-1(b); SR 2-1(a)]
- **Site Description:** The site dimensions were not provided in the report or in an addendum. The word "irregular" was used to describe the site dimensions. "Irregular" refers to the shape; not the dimensions. When the question is asked on the Land Appraisal Report form "if the present improvements comply with existing zoning requirements", the box indicating "No Improvements" is marked. The report is in error, because the site is improved. [SR 2-1(a)(b)]
- **Highest and Best Use as improved:** The report indicates that the highest and best use as improved is "home site(s)" without consideration of the current living quarters, the covered arena and implement shed and the horse/loft barn. It is apparent that a "homesite(s)" highest and best use may be a more applicable description of the property as if vacant instead of as improved. Also, there is no support provided for this opinion. [SR 1-3(a); SR 1-3(b); SR 2-1(a); SR 2-2(x)]
- **Actual Use as of Effective Date and Summary of Highest and Best Use:** The Summary is confusing considering the Actual Use is incorrectly shown as only being single-family residential without mention of the covered arena and implement shed and horse/loft barn. [SR 2-1(a)]
- **Utilities:** "Water" is marked as being public, but in the second line from the bottom in "Site Comments", the report indicates that the site has a well and no access to public water. [SR 2-1(a)]
- **Description of Improvements:** The report does not include an adequate description of the improvements being appraised in this report. [SR 1-1(b); SR 2-1(a)]
- **Sales Comparison Approach:**
 - Sale 1 - The size of the site area indicated in the grid is 17.8 acres. The MLS information provided in the report indicates that the size is 17.180 acres. The 17.8 acre size appears to be incorrect, based on the 17.18 acres shown in the Warranty Deed recorded in Marshall County Record Book 645, pages 945-947. [SR 2-1(a)]
 - Sale 2 - The sale price in the grid is \$27,500. The MLS information provided indicates that the sale price is \$18,660. According to the Warranty Deed recorded in Marshall County Record Book 638, pages 308, the \$27,500 sale price included a 4.45 acre tract

in addition to the 9.49 acres indicated in the grid. There are no statements in the report mentioning or discussing this obvious discrepancy. [SR 2-1(a)]

- Sale 3 - The MLS information provided in the report indicated that the property was improved with a barn. CRS information confirms that there is a barn. There is no statement in the report addressing the barn. The grid indicates that there are no improvements, which makes this information incorrect. [SR 1-1(b); SR 2-1(a)]
- Sales 1, 2 and 3 - Adjustment for Improvements – The \$2,300 adjustment to the three (3) sales for improvements is not clearly explained or supported in the report. See Cost Approach below. [SR 1-1(b); SR 2-1(a)]
- **Cost Approach:** A cost approach was not provided in the appraisal report. The information obtained from the Tennessee Real Estate Commission provided an undated “Clark – Depreciated Cost Analysis Notes page. It is assumed that this information was not presented to the client with the original report. Considering the type of improvements located on the property, it would appear that a cost approach would be applicable in this report in the adjustment for “Improvements” that are included in the sales comparison approach. Not providing a cost approach in the appraisal report and only having cost information in the workfile reflects a Restricted Appraisal Report under Standards Rule 2-2(b) rather than an Appraisal Report under Standards Rule 2-2(a). Also, the omission of the cost approach is necessary for credible assignment results. [SR 1-4(b); SR 2-1(b)]
- **USPAP Addendum:** Item (B) in the Scope of Work statement indicates that “an EXTERIOR only vacant land inspection” was performed by the appraiser. Based on the contents of the report, this statement is in error. [SR 1-4(b); SR 2-1(a)]

Respondent’s Response to Reviewer’s Conclusions

- First, I have been in this business 30 years and to my knowledge I have never been accused of providing an appraisal report, 'rendered in a careless or negligent manner', however, I will agree several errors were made on this report, at least one of which was brought on by the type improvements, and another due to my choice in how I reported the results on a land form.
- It was a difficult property for several reasons. Neither the main barn-apartment nor its septic system, have a permit on file with the county Building & Codes Department and as a result a land report was completed. Further, this lead to confusion on my part as to occupancy, highest & best use, and the report lack an adequate improvements description. This 957sf apartment is the only living quarters on the site and it is attached to a 'round-pen' arena with incomplete implement and barn storage areas to the rear.
- Site description is marked 'Irregular' and this tract is definitely 'rectangular' in shape. However, this was properly noted in the site comments. Also noted in the site comments was the fact that no survey was provided, and providing estimates as to the dimensions on this size tract might also be misleading.
- Subject's Highest & Best Use was noted as present use or as a future single family residential home site, thus the 'home site(s)' language or reference.
- The reviewer is correct, an error was made showing a public water source, but language in the site description is correct that subject site has no access to public water, only an onsite well. The reviewer states that minimal discussion was provided on the improvements. Two statements on improvements are made in the site description, but again given the lack of building permits on file for either the barn apartment or its septic system, minimal emphasis and value were placed on either of these two improvements.
- Sales Comparison - The reviewer correctly points out that both the MLS and Tax Records show 17.18 acres and that it is incorrectly reported as 17.8 in the Sale Comparison grid. Reference to additional acreage included in Sale 2 was not confirmed through the tax records or the listing agent as of the date of appraisal. Sale 3's improvements were noted in the MLS but considered to be of minimal contributory value. The 'across the board adjustments' in the sales comparison grid reflect the contributory value of all of subject's

improvements, however, minimal discussion was provided in the report in regard to the corresponding adjustment. A rough draft of replacement cost was calculated for the workfile, and the reviewer was correct in assuming no formal cost approach was completed for the report. Given subject's actual improvements and lack of permitting, a formal cost analysis was not deemed appropriate nor was it deemed necessary to provide a reliable value/report. Value was considered for the properly permitted barn, sheds and fencing along with minimal value for the barn apartment/septic. The report could have been more descriptive and more discussion should have been provided to help any reader understand the appraiser's opinions. Lastly, the reviewer is correct that the FIRREA/USPAP Scope of Work incorrectly refers to an 'Exterior Only' vacant land inspection.

- Given the non-permitted status of the barn apartment and septic system, confusion on my part is reflected some of these errors, but despite same, I am confident with corrections the value assigned is reasonably well supported.

Licensing History: Certified Residential 9/18/1991-Present

Disciplinary History: (200206618-Dismissed)

Reasoning and Recommendation: The reviewer found that the appraisal report had substantial errors of omission and commission. Together these affect the results and have a significant effect on the credibility of the assignment. Respondent has been a certified residential appraiser for over 14 years with no prior disciplinary action against him. As such, Counsel recommends that this matter be **Closed with a Letter of Caution** regarding future appraisals.

Vote: Mr. Collinsworth made a motion to strike the Ethics Rule Conduct Section violation quoted by the reviewer in the reviewer conclusions and authorize a thirty (30) hour Basic Appraisal Procedures Course and a twenty-one (21) hour Mastering Unique Properties to be completed within one hundred eighty (180) days of execution of the Consent Order. This was seconded by Ms. Johnson. The vote carried unanimously.

NEW BUSINESS

The Board elected to send Both Ms. Point and Ms. Johnson to attend the upcoming AARO conference.

Vote: Mr. Collinsworth made a motion to approve travel to the conference for Ms. Pont and Ms. Johnson. This was seconded by Dr. Mackara. The vote carried unanimously.

Having no further business, Chairman Walton adjourned the meeting at 1:25 p.m.